reserve

App F IX 4

Previous References 192 7 (one)

File No 271-27

Serial Nos. 16, 17, 18
1960 25

Later References

General and Revenue Secretariat.

Serial Nos

Part B for 11 a 29

SUBJECT

Report of the Ochre Committee

Papers ordered to be printed

MS 29
19

App F III—2]

General and Revenue Secretariat

File No. 2711

of 192 7

Serial No.

Letter dt 30th Nov 1928 from Mr H Venkata Ramaiah of Tuni suggesting that a meeting of the Action Committee may be convened and the question ~~may~~ may decided after discussion

Submitted for formal and orders

Opinions have been received ~~also~~ from Messrs C Subba Rao and N S Ranga Iyer. The ~~Chairman~~ members are ~~also~~ requested

Ch 4/12 5/12

Ch 5/12

CHIEF SECRETARY. 5 DEC 1928

Adopt in principle as directed in person

Ch 11/12

CHIEF SECRETARY. 12 DEC 1928

Ch 11/12

Dom Minister Ch Secy Inspection

L 4374 dt 19-12-1928

To Sub Collr Tuni Sir

Inspection has to fix a date for meeting

Ch 18/1

NOTE—Contn. sheet

WD 021—GPB—30,000—21-8-28

General and Revenue Secretariat

Ref File No. 271

App E [III—2] of 1927

Serial No.

20

Letter no 726 dy 22nd Dec 1928 from the R Sir Charles Todhunter Parvati Secy to H H the Maharaja stating that he would by by 11 have a series of continuous meetings from the 11th Feb onwards for taking evidence and the portions of section Committee may be included in the same series.

Submitted for orders

Ch Secy

Mr Secy says that he agrees with the idea of having another meeting to discuss the draft report in detail & that is what the Members wish.

Only one of the Members by Mr D Venkatramiah has asked for a meeting & he wants it to discuss in detail the pros & cons of the whole question of reduction - abolition & substitution. Nature of any other form of taxation direct or indirect. It is not known if Mr Secy need be informed of this. The suggestion to include the meeting of the Committee in the series connected with Bangalore Agency Committee meetings is also for orders.

Ch Secy)

25/1/29.

CHIEF SECRETARY'S OFFICE 5 JAN 1929

NOTE—Contn sheet

WD 031—GPB—30,000—21-8-28

General and Revenue Secretariat.

File No. 271 of 192

Serial No.	
	The Secy said that Taxation Enquiry Committee sittings with Commence on the 11th Instant and will last for about a week. The Octroi Committee meeting may be held on one of next days. A draft is accordingly putting Secy 19/1/29
	4681 dt 18/1/29 To The Chairman of the Committee Asked that the notice of the meeting will be given to the members when the date is finally fixed
4681	D.o Letter from Mr. B. Sivaswamy forwarding copies of letters received from Sir Charles Todhunter about the meetings of the Taxation Enquiry Committee and requesting that the meeting of the Octroi Committee be arranged to be held in the same week as suggested by Sir Charles Todhunter Letter No. 317 dated 7.2.29 from Mr. Rangachari to Mr. B. Sivaswamy stating that a meeting of the Octroi Committee may be held on 14.2.29

NOTE—Contin. Sheet.

General and Revenue Secretariat. File No. 271 of 1927

Serial No.

and requesting that the time at which the meeting might be held may be intimated by wire

telegram dated 2-2-29 from Mr. B Sundaresan (Fuel Leg) stating that the Taxation Committee sits from twelve noon from the 6th inst

Draft of a notice is sent for approval

QRR 4/2/29

Jam Chanda 5/2

Issued vide £ 5950-56 & £ 5957-58 dated 5-2-29

Letter No 7 dated 2-2-29 from the Fuel Leg stating that the date proposed for the joint meeting of 11th inst seems suitable

Notices have already been issued Post no Communication has been sent to the President Sir Charles Todhunter

The file may perhaps be submitted to the Fuel Leg for perusal & information

QRR 6/2/29 (Fuel Leg) Mr. Chairman 6/2

I have informed the Chairman Sir Charles Todhunter about the date & the joint meeting and the hour & sitting - 12 noon on 11th & C Block - This file may also be

H 2649 2361/27

Note—Contin. Sheet.

GD 8174—GPD—20(3)—7-27

App. F III-2]

General and Revenue Secretariat | File No 271 | of 192 7

Serial No.

Under Rule for personal [illegible] the views recorded by [illegible] of the members on the Draft report of the other Committee, if there is any [illegible]

4

7 2 1929

The views of the members appointed on the draft report have already been communicated to the Government [illegible] personal discussion with any of the members)

CHIEF SECRETARIAT
7 FEB. 1929

Please keep the [illegible] with reference to the remarks made by Chairman of the Committee on the draft report. [illegible]

a copy of the proceedings of the Joint Committee and on the points referred for consideration relating to other matters further in the separate note dated by the Parliamentary Drafting Committee have been forwarded by the Department [illegible]

The Committee regret [illegible] the whole note is [illegible] indicated [illegible] are not [illegible] of the Committee as [illegible]

Note – Contin. sheet

WD 031—GPB—30,000—21-8-28

L3443
4062

6

App. F LII—2]

General and Revenue Secretariat,

File No. 271 of 1927

Serial No.	
	have been correctly incorporated in the President's minute dictated this afternoon. They may therefore be submitted to this forenoon Cabinet.
	Please speak to me about this
	Please type this minute for submission to the Cabinet
	Typed draft placed on the file
	Please type this
	L 5795 dy 28/2/29 To Chairman, Central Committee Forwarded for approval a copy of the Proceedings of the meeting held on 27th Feb
	Letter No 1038 dy 27th Feb from the Chairman to the Chief Secy enclosing a suggesting that the Central Committee may consider the report of the Taxation Committee before
	Letter L 5834 dy 28/2/29 from the Chief Sy to the Chairman

Cabinet Sec. Dy. No. 1/1/1927
21 FEB. 1929

NOTE—Contin. Sheet.

WD 6171—GTS—50,000—12-28

General and Revenue Secretariat

File No. VII

Serial No.

agreeing to the suggestion

Letter no 1067 dt 7th March 1922 from the Chairman to the Secy to the Committee requesting to take action accordingly

As per Rule 9 (2) (a) of the P W D, a copy of the report is forwarded for perusal below

Ch 16/3 KC

Please forward a draft Condolence letter as requested in the Chit

16/3

MWSGR 16/3

A draft is the members of the Committee is submitted for Consideration

Ch 17/3 KGR

20/3

To

The members of the Police Committee

Lr 6252-62 dt 23/3/22

Forwards the extracts from the Taluka Enquiry report relating to the police

Submitted for the orders as to the further action to be taken in the matter

The Secretary Committee's report

Also forwarded the recommendations

Note—Contn. sheet

App F III—1]

General and Revenue Secretariat. File No 271 of 1927

Serial No.

Submitted by the Taxation Committee, which includes a chapter on Local finances under which the question of abolition of octroi in municipalities has also been discussed and also contains the deliberations of the joint Committee, there is not perhaps any necessary for a separate report to you from the octroi Committee

Ch 28/3

~~Copies of the report~~

There is nothing for the Committee to report specially & separately about as the Taxation Committee may be awaited on the several recommendations of the Committee therein

28/3/28

Sec 13 Govt of India
Rev & Agri Dept
GEN SECT
26 MAR 1929
L. & G. Branch
REV SECT
31 MAY 1929

NOTE—Contn. sheet

No C.46-57
24/6/28

9

Circulated to the Members of the Octroi Committee.

Prior to his departure from India Sir Charles Todhunter forwarded a note of his views on the question of abolishing octroi and devising suitable substitutes. The Function Committee have also communicated their provisional conclusions on the subject. On the basis of these documents, a draft report has been prepared and/herewith circulated to the Members of the Octroi Committee for an expression of opinion.

D. Lamsden

Secretary, Octroi Committee.

Nature of the tax.

This is an impost on goods levied at the municipal barrier at a uniform rate proportionate of the value of consignments. It differs from octroi in that (1) the rates are very low and (2) the system of refunds is practically non-existent. On consignments by road, it takes the form of a toll and is collected in the usual manner. In the case of rail borne traffic, it is collected by the Railway as an additional to Railway freights.

System obtaining in the Cawnpore Municipality.

2. The tax has been in existence in the Cawnpore Municipality since 1924. In 1923, the question of financing the water supply project had to be solved and the rate-payers were advised to direct taxation. The Municipality had therefore had recourse to octroi that tax was now to the people and proved quite unpopular as soon as it was introduced. Trade was also affected to a considerable extent. The Chamber of Commerce therefore set themselves to devise means for replacing octroi and suggested several alternatives, one of which the introduction of terminal tax and toll. The Municipal Council adopted this suggestion which is reported to have since proved a complete success.

3. In Cawnpore, the tax is levied on imports as well as exports in addition to octroi on animals. In respect of rail-borne traffic, the Railway collect the tax as an addition to railway freight and charge 3 per cent commission . There is no system of refunds such as obtaining in octroi administration. The following are however exempted :-

(a) Goods reshipped without breaking bulk and

(b) Baggage of passengers and parcels up to a certain weight.

4. For purposes of collection the City and

the Civil and Military Station authorities had formed a Joint Committee with full power of control. The gross proceeds are in the first instance deposited in the Bank of Bengal to the credit of the Joint Committee by whom the net proceeds, after deducting the cost of collection, is apportioned between the two bodies in proportion to the population of the two areas.

Petrol Committee's Recommendation.

5. In 1928, the Government of the United Provinces appointed a Committee to investigate the merits and demerits of the petrol administration and to suggest reforms. That Committee has strongly recommended the substitution of the terminal tax for petrol in all centres of large trade. In its opinion, wherever indirect taxation is necessary that tax should take the form of a terminal tax rather than of petrol with refunds. The Committee feels convinced that the serious difficulties of the petrol administration are absent in the system of terminal tax. The advantages of its recommendation are stated to be the following :-

(1) It is light in its incidence.

(2) Very easily and cheaply collected.

(3) It is not unpopular as petrol.

(4) The extra boiling mileage rates, those which connected with enforcement, so common in the petrol administration, are almost absent.

(5) No delay, no opposition and no friction. Also no opportunities for speculation any more than are incidental to the clearance of consignments arriving by rail.

(6) It is as productive as petrol and the clerical work involved is comparatively very little.

(7) Opportunities for fraud and evasion of duty are reduced to a minimum.

6. The one important objection raised against this system of taxation is that it operates as a transit duty even as petrol. The justification lies on the

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the following considerations :-

(a) The incidence is very light, lighter than that would be on through traffic under Octroi.

(b) Any octroi system of refund is inconsistent with the tax on imports. Besides, in the case of goods for eventual export, the following circumstances remove the objection :-

I. In the case of raw material imported for early export without consideration, the facilities for storage and the protection afforded by the Municipal Administration justify the payment of Municipal dues.

II. If raw material is transformed before it leaves the Municipal limits, the original import duty becomes a negligible factor in its value.

III. The impossibility of accurately adjusting the refund on manufactured articles to the duty on raw materials would morally force the local bodies substituting advalorem rates for maunds rates i.e., Octroi would be re-established.

How far this is a suitable substitute for Octroi in Mysore.

V. In Mysore, unlike in Coimbatore, Octroi is not a new tax. It is at least as old as the Municipalities themselves and forms the mainstay of municipal finance. Besides, the simplicity of the taxable schedule and the system of refunds obtaining in the State have gone a long way to minimise the evils of Octroi administration. Octroi has not therefore been as unpopular in Mysore as at Coimbatore.

S. If Octroi should be replaced by some other system of taxation, the substitute must be financially sound and must be acceptable to the rate-payers concerned.

V. The introduction of the new system of terminal tax into all the Municipalities [illegible] out of the question. The taxation powers of the United Provinces have

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have themselves admitted that the system is suitable only to centres of large trade. It seems therefore advisable to investigate the question with reference to only such Municipal Towns as are Railway Stations with comparatively large rail-borne traffic. The following Municipalities may perhaps take up the question and consider it in their details -

1. Bangalore City.
2. Mysore City.
3. Coimbatore.
4. Mangalore.
5. Chennapatna.
6. Doddaballapur.
7. Tumkur.
8. Salem.
9. Davangere.
10. Bowringpet.
11. Kolar.
12. Hassan.

Special conditions as regards Bangalore City.

In Bangalore, the City and Civil and Military Station have formed a Joint Committee and - entrusted the whole administration of the terminal tax to that Committee. In Bangalore also a similar one arrangement seems desirable for the success of the [illegible] scheme. There the entrenchment between the part of the City and Civil and Military Station municipal authorities at the time of the expansion of octroi duty and introduction of toll. In the circumstances a Joint Committee consisting of a few representatives of each municipality will have to investigate the matter. This was what Residency suggested once

Preliminary action necessary for the introduction of the system of terminal taxation.

11. As regards the abolition of Octroi, the Municipalities cannot [illegible] be asked to adopt this all at once. As pointed out already, that source is responsible [illegible] and until they can find a more suitable substitute which will be financially sound and acceptable to trade payers.

The Municipal Councils concerned should therefore collect the following information from the Railway :-

(1) Rail-borne traffic for the previous 5 years on imports under the different categories adopted by the Railways.

(2) do. in respect of exports.

(3) Whether the Railway are willing to undertake the collection of the tax on rail borne-traffic as an addition to railway freight, and if so, the commission they would charge for the work.

18. It may be of interest to note here the recent resolution of the Government of India in this respect. The Government of India while adhering to the principle that municipal taxation should not operate, so far as can be avoided, as a transit duty on through trade, are prepared to concede that a light terminal tax with no refunds may in practice prove less burdensome to through trade than the Octroi system as hitherto administered in British India, provided that the following condition are observed:-

(a) that the terminal tax, wherever precluded should be substantially lower in its rates than the Octroi which it replaces,

(b) that it should be limited to places where there are special grounds for applying it, which must be adequately demonstrated.

(c) that it should be regarded as facilitating the transition to a system in which direct taxation will form an increasingly important factor, and not as an elastic means of progressively increasing the resources of Municipalities apart from normal development due to increase of traffic, and

(d) that it should not be adjusted with the primary object of compensating municipalities for the loss of Octroi.

19. The Municipal Councils may take up the question and investigate the matter in all its details to

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to enable them to arrive at a decision whether to retain octroi or to replace it by a system of terminal tax acceptable to rate payers.

The following proposition was brought forward at the Representative Assembly Session of 1915, namely :-

" Toll gates and octroi stations may be done away with in Municipal Towns which are Railway Stations and duty levied on dutiable articles (both exports and imports) borne by rail"

The Comptrollor then was of opinion that the proposal was worthy of favourable consideration and that in several important towns in British India octroi was being replaced by a terminal tax. The above representation was considered with the above note and it was ordered that the question may be taken up after final orders are passed on the resolution of the Local Self Government Conference that was being held then.

In para 12 of Government order No.3005-55/ M1.132.16.1 dated 16th November 1916 passing orders on the Local Self Government Conference.Government observed that there were no data to show how far the adoption of the terminal taxon on goods in Municipalities situated near Railway lines would be financially better than octroi and that it does not seem possible to go further than with respect to the abolition of Octroi than ~~xxxxxxxxxxxxxxxxxx~~the policy laid down in their Government Order of 26th March 1913.

The attention of the Presidents of the 3 City Municipalities was drawn in November 1917 in regard to para 12 of the order of 1916 and they were asked to submit definite recommendations on the

16

the question of modifying the existing system of Municipal taxation with a view to improve the improve the revenue. The question of substitution of the terminal tax for Octroi was also specifically referred to them in March 1917. In the letter to the Bangalore City Municipal Council suggestions were made in respect of the question by a Joint Council of the City and Civil and Military Station Municipal Councillors with reference to the following points :-

(1) Whether the terminal tax will prove financially sound.

(2) Whether the Regulation of the 2 Councils would permit of the formation of such a Committee at Cawnpore for their administration of the terminal tax.

(3) How the tax collector may be appointed and

(4) Whether the Railway authorities would undertake the collection without special legislation.

The President of the City Municipal Council, Bangalore stated that it was not an opportune opportune movement for the introduction of measure such a measure and that the question would have to deferred until after the war. The President of the Mysore City Municipal Council stated that it was undesirable to effect any change in the existing system under the then unsettled state of trade and commerce owing to the Great European War.

The papers were then filed.

The question of the abolition of Octroi and substitution of it by a Terminal Tax was also considered at the Local Self Government Conference of 1923. Vide, the Dewan's speech delivered on the occasion. The Conference passed the following resolution in the matter :-

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" XXXVIII. That it is not desirable to abolish the levy of Central duties."

This was recorded in Government order No.I. 2194. 25/XI.22-24-3, dated the 10th September 1924.

CH6-52
B66 a2
Encl 3

Circulated to the Members of the Octroi Committee.

ooo

Prior to his departure from India Sir Charles Todhunter forwarded a Note of his views on the question of abolishing octroi and devising suitable substitutes. The Taxation Committee have also communicated their provisional conclusions on the subject. On the basis of these documents a draft report has been prepared and herewith circulated to the Members of the Octroi Committee for an expression of opinion.

Secretary, Octroi Committee.

The Committee was constituted under Government Order No.L.R.3163-64/LA.208-60-1, dated, the 15th November 1960 and was required to examine and report on the following points:-

(1) The feasibility of the abolition of Cutcherry in Kanakapalliam.

(2) The loss that may be substituted for Cutcherry.

(3) Changes in the methods of levying cesses if the total abolition is not feasible.

The Committee consisted of the following Members:-

1. Mr. K.S. Ramjunayya.
2. " C. Subba Rao.
3. " B.K. Varadachary.
4. " K. Venkatasamiah.
5. " B. Osman Khan.
6. " K. Madhava Rao.
7. " Khan Bahadur Mahomed Abbas Khan.

Mr. K.S. Ramjunayya, Mr. Khan Bahadur Mahomed Abbas Khan was appointed Chairman of the Committee and presided over the meetings. When he relinquished the office owing to illness, Mr. Charles Tegginmath, K.C.S.I., succeeded him. But owing to the latter's departure from India, soon after his appointment as Chairman, no meetings could be held under his presidency. He has, however, placed on record a clear note of his views on the questions referred to the Committee and the lines on which they might be further investigated. The Committee had also the advantage of considering the tentative conclusions on this subject expressed below which were received by the Taxation Committee, of which also Mr. Charles Tegginmath was the Chairman:-

2 2

2. (a) A tax on tobacco is an admirably suitable [illegible]

[illegible]

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form of additional taxation.

(b) A system of taxation might be built upon the basis of the present taxation through Octroi and Municipal Octroi, further developments being made taken on the lines indicated in the report of the Indian Taxation Enquiry Committee, as amended in consequence.

(c) The Municipalities should be compensated on the basis of their present revenue.

3. (a) Terminal Tax. The Committee are of opinion that imposition of a terminal tax on goods is not desirable.

(b) Octroi. The Committee consider that the abolition of Octroi should be accepted from Oct

(c) The schedule should be reduced to a small number important articles with a view to ultimate abol tion.

(d) The process of abolition should be through some compensation first and development from that sho tax.

(e) Periodic enquiry should be made into the revenue of the reduction of the houses in Municipal li and the possibility of an increase in the rate

(f) The work of valuation should be done by local officers of the Revenue Department.

XXX XXX

The question of abolition of Octroi in the Municipali in the State was raised as long ago as in the year 1901. The late Sir K. Seshadri Iyer expressed his views as follows:-

"Theoretical perfection in taxation is rarely obtain in practice. Octroi is the best under all the present circumstances. It is less unpopular and more payable; than

there may be the long list of Municipal towns which are clamouring imposed. The question of refunds is somewhat intricate but I do not think abolition of Octroi and substitution of cess (a proposal made by Mr. Chentsal Rao) will be a satisfactory solution. Octroi is the mainstay of any revenue. To get the amount of the present octroi revenue from cess tax or toll, we must needs resort to rates most objectionably high. When some years ago the Civil and Military Station - Ahmednagar Octroi, I predicted they would find no suitable substitute. That prediction has now come to pass and the Civil and Military Station are reintroducing octroi.

In 1918 the late Comptroller Mr. J.S. Chakravarti suggested that an attempt should be made to replace octroi in the State by a readjustment of the rates on holdings, trade terms, market dues, etc.. An elaborate enquiry was accordingly made at the end of which Government decided that if any Municipal Council was disposed to abolish Octroi, either entirely or partially it might do so after sub-mitting definite proposals and obtaining the sanction of Government. This decision bound neither the Government nor the Municipal Body to any specific course of action and naturally led to no practical results.

In September 1921, the subject was brought up at a Meeting of members held under the presidency of the Hon'ble and the present committee was in consequence appointed to examine the question.

The objections to the levy of octroi are well known and there can be no difference of opinion, on abstract grounds.

Most

grounds, as to the desirability of abolishing it on a form of municipal taxation. The only questions for examination are:-

(i) whether it is practicable to find adequate substitutes to make up for the loss of revenue that would be entailed by the abolition of the octroi;

(ii) if abolition is not immediately practicable, what palliative measures can be adopted; and

(iii) whatever the decision arrived at, how can it be most effectively carried out.

SUBSTITUTES FOR OCTROI.

GENERAL TAXES.

The Local Self Government Conference of 1918 suggested the desirability of converting the octroi system into one of terminal taxation. This suggestion, since repeated from other quarters, was considered in detail at the earlier meetings of our Committee. But a terminal tax is open to the same objections as octroi duty and unless it was levied at a uniform rate by weight, it would lead to the adoption of a complicated tariff. On the other hand, the statistics collected by the Committee showed that unless fairly high rates were adopted - a course which is altogether opposed to the principles of terminal taxation - or items were imposed on a large variety of articles, including raw materials of industry, the yield from such items would not be equal to the present revenue from octroi duties. The Committee's attention was also drawn to the fact that the military goods schedule is a source of delicate adjustment and that even a small increase might lead to diversion of trade. Besides, in many of the municipalities use was already made on the railway, this

Local

form of taxation is not capable of universal application. For these reasons this Committee have come to a conclusion that it is not desirable to impose personal taxes on goods.

BASES OF PROPERTY.

The enhancement of rates on property, and the revaluation of houses for purposes of assessment have been suggested. At present, house tax is levied on two different bases. In the Cities, it is levied as a percentage on the annual letting value, the prescribed maximum being 6%. In the Town and Minor Municipalities the basis of assessment is the capital value of houses, the schedule of taxation being as follows:-

For every Rs.100/- or portion of Rs. 100/- of the market value up to Rs.2,000/-	As. 8/
For every 100 of market value, in excess of Rs.2,000/-. ...	As. 4/

The taxes actually imposed at present in the form of rates on lands, are:

In Bangalore City. ...	18¾
In Mysore City. ...	9¾

These may be regarded as the maximum rates now prevailing in the State.

Considering that the rate even in case of the municipal municipalities in British India is 12 to 18¾, it is obvious that there is some scope for raising the present rates on property, but it is doubtful if such a measure would not meet with very strong opposition as could be removed only by gradual steps.

It has been pointed out that owing to the method of assessment adopted and the time which is allowed to elapse between valuations, property in Municipal areas is very often undervalued, and if re-valu-

tion

re-valuation by an ~~ex~~ independent officer were made a considerable increase in the assessment of property would result. Without a systematic and detailed enquiry in at least three or four typical municipalities, it would be difficult to say to what extent an increase of revenue can be expected from such revaluation of properties. It appears however that at the present revenue from patrol in the State is over Rs. 8/- lakhs and that from taxes on buildings and lands about Rs. 8 1/2 lakhs. (Vide statement attached) any improvement of revenue from the latter source will not compensate for the loss of income from Patrol.

PROFESSION AND TRADE TAXES.

Other methods of direct taxation have therefore to be explored. The levy of tax on professions, trades and callings has been suggested. With regard to this proposal, the Committee wish to state that no form of taxation which depends for its assessment on a detailed scrutiny of income or turnover is likely to be a success. For this reason, the profession tax and turnover tax must be set aside for the present. The trade tax, however is provided for in the amended Municipal Regulation. All places where business of a professional nature is transacted can be classed as "shops" of various classes and being a familiar form of tax it may be easily introduced, provision being made for imposition of the tax at higher rates than ~~those~~ were now authorised.

Whether these new taxes and the revision of rates on property, singly or in combination, will yield sufficient income, is a question which can be only answered after a detailed enquiry is conducted on the lines stated above.

PARLIAMENTARY MEASURES.

If it be found that octroi must be retained at least for the present, the Committee think that the number of dutiable articles must be kept at a minimum. In this connection, the Committee observe that while the articles on which octroi may be levied is defined with regard to the minor Municipalities, there is no such restriction with regard to Town and City Municipalities; and the temptation in these Municipalities has been to include more and more articles in the list. The duty on piece goods is the largest revenue yielding item, and its retention seems unobjectionable. The other items on which Octroi may continue to be levied are jaggery, sugar kerosine oil, ghee and grain. The duty on tobacco may be replaced by a direct tax on shops where this article is sold. The Committee are informed that the Mysore City Municipality have recommended this change and agree that it is a move in the right direction.

The duty on cocoanuts and betel leaves may be abolished as the yield from these items is generally inconsiderable and its collection is attended with inevitable leakage.

ACTION RECOMMENDED.

It will be observed from the foregoing remarks that any attempt to abolish octroi in the state necessarily means the re-modelling of the entire system of municipal taxation, and it is not possible for this Committee to point out how this process can be carried out in the several Municipalities.

The circumstances of each case must be considered and detailed proposals suited to each Municipality,

must

must be worked out, on the general lines here advocated. This can only be done by special officers appointed for this purpose and in consultation with the Councils concerned. The Committee understand that Government have under consideration the appointment of Revenue Officers for each District for the work of assessing municipal taxes. These officers should be entrusted with the duty of determining exactly what rates of direct taxation would be necessary if octroi is to be abolished and the interim steps should be taken, if the abolition of octroi is not found immediately feasible. Without such concrete proposals adapted to the circumstances of its own case, and without some assurance that the loss of octroi revenue can be made up in usually ascertainable ways, no Municipal Council will agree to, and the Government cannot with confidence enforce, the adoption of a reform which has so often been thought of and given up in despair.

TO SUMMARISE OUR CONCLUSIONS:-

(1) The abolition of octroi duties has to be constantly kept in view.

(2) Terminal tax is not a desirable substitute for Octroi.

(3) Loss of octroi revenue should be made up as far as possible by a stricter assessment and gradual enhancement of rates on property and by the imposition of shop tax at higher rates than the Regulation now provides.

(4) In Municipalities which find it necessary to continue the imposition of octroi, the list of dutiable articles should be limited to

27

(a)

place names,
factory and depot,
personnel and
stores and goods.

The returns on schedule may be changed to a Microcard for ease of keep here.

(b) A special officer should be appointed in Advertisements and reports/with reference to ~~---~~ plans in four typical municipalities to what extent and in what stages reform of Councils on the above lines can be effected. The same special Accounting Officers are appointed for Municipalities, this duty may be entrusted to them.

oooooooo

28

A P F. VI G1J

SUBJECT

Section

File No.

Serial No.

No. L 131-36

Diary No. of letter replied to ..

General and Revenue Secretariat

( )

the *192*

To

Date of issue 9.7.28

Signed by

Dear Sir,

In acknowledging reference to letter no C-46-52 of 6 6 28 forwarding a draft report of the ochlin Ref Committee I am to request you to be so good as to favour me with your opinion briefly on the matters

Yours &c

Secretary

To the members of ochlin Committee

List of enclosures

Copied by

Examined by

Ch 9/7/28

over

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. L1178-82 — Dated Bangalore 6 8 1928

29

From

~~N. MADHAVA RAO, Esqr, B.A., B.L.~~

~~Chief Secretary to the Government of His Highness the Maharaja of Mysore~~

To

T.K Someswara Iyer Esq , B A ,B L ,
Secretary, Octroi Committee

C Sibba Rao Esq BA BL
Advocate, Shimoga
Messrs A K Gundachar, Md Abbas Khan
& Venkatarama & B Goomanchan

Sir

In inviting reference to this office No.46-52 dated the 6th June 1928, ~~regarding the question~~ of abolition of -- Octroi and devising suitable substitutes, I am directed to request you to be so good as to ~~forward~~ your opinion on the draft report sent with the above communication

I have the honor to be,
Sir,
Your most obedient servant,

Secretary to the Committee.

C 46-5-2
dy 6.6.28
ans

Mr NA
26/7
Fin 231-27-15

T 2517

485 30

Circulated to the Members of the Petrol Committee.

ooo

Prior to his departure from India Sir Charles Todhunter forwarded a Note of his views on the question of abolishing petrol and devising suitable substitutes. The Taxation Committee have also communicated their provisional conclusions on the subject. On the basis of these documents, a draft report has been prepared and therewith circulated to the Members of the Petrol Committee for an expression of opinion.

Secretary, Petrol Committee.

I agree with the draft report. but shall like to add that the question of Continuing duties on Sugar and abolition on Coconut requires further examination. The question of levying duties on petrol also requires consideration

16.7.28

A. P. (VI Gl)

31

SUBJECT .....

.....

.....

Section M

File No. 271-27

Serial No. 16

No. L1807-11

Diary No. of letter replied to. .....

General and Revenue Secretariat

( )

the *192*

To .....

Dear Sir,

I am directed to invite your attention to this office No 46-52 dt the 6 June 1928 and the subsequent Communication ending with letter No L1178-28 dt 6 2 1928 calling for an expression of opinion on the draft report prepared in Connection with the octroi committee and to request you to expedite your opinion in the matter as it has

over

Date of issue 27 8 28

Signed by .....

List of enclosures. .....

Copied by .....

Examined by .....

WD3859—GPB—50,000—25-5-27

37

been delayed long

Dated July

28

Sec 6 to the other

Committee

the members of the Committee

except 2 days 3rd and

4th Dr Radhakrishnan Pas

28

Shimoga,
Dated, 6th September 28

From

C Subba Rao, Esq , B A , B L ,
Advocate and Member,
Octroi Committee,
Shimoga

To

The Secretary,
Octroi Committee,
Public Offices,
BANGALORE

Sir,

With reference to your No 46-52 dated 6th June 1928, forwarding for opinion, a note prepared by Sir Charles Todhunter on the question of abolition of Octroi anddevising suitable substitutes together with the preliminary conclusions arrived at by the Taxation Committee on the subject, I have the honor to state as follows

The points for consideration are --

(i) The feasibility of the abolition of Octroi in Municipalities

(ii) The tax that may be substituted for Octroi

(iii) Changes in the methods of levying Octroi, if total abolition is not feasible

2 The draft report deals with the merits of each case and five conclusions have been drawn I agree with the conclusions, viz (1) that the abolition of Octroi duties has to be steadily kept in view, (2) Terminal tax is not a suitable substitute for Octroi as it involves an unequable distribution of tax and shifts the burden from the richer citizens, who ought to pay more in proportion, to the poorer since the articles taxed are generally food stuffs on

other

pther necessary supplies, (3) Loss of Octroi revenue should be made up as far as possible by the imposition of shop tax at higher rates than the Regulation now provides and the introduction of compounding fees (Page 3 of the note by Sir Charles Todhunter).

3 In the list of articles liable to Octroi, (1) Patrol and (2) timber may be included and jaggory may be omitted

4 The method of composition of Octroi with individual merchants is, in my opinion, the most unobtrusive way of realising Octroi revenue as it is nnt only convenient to the merchants but may also result in considerable decrease in the cost of collection and supervision and minimises chances of leakage as well

5 I fully endorse the view that if revaluation of properties in each Municipality were made by an independant officer, a considerable increase in the assessment of property would result But, I think the rate now fixed in the Municipal Regulation may kmyk be kept unchanged

I have the honor to be,

Sir,

Your most obedient servant,

Advocate

35

SUBJECT ...

Section ml

File No. 271 – 27

Serial No. 16

No. L2169-72

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the 192

Date of issue.... 18/9/28

Signed by.. Mr. ...

To

Messrs T K Govindachari
M Venkitaramaiah
B Gobinda Khan
Khan Bahadur Mahomed Abbas Khan

Sirs,

I am to invite your attention to this office letter No 46-S-2 dated 6 6 28 and the subsequent Communications ending with letter No R 1807-11 dated 27 8 28 calling for the favour of your opinion on the draft Rules reported by the Committee with the Select Committee and to request you to expedite your opinion on the matter about which has been pending from a long time

I am Sirs
Your most obedient servant
K
for Secretary to the Government
of Khan Bahadur Mahomed Abbas Khan

List of enclosures. ...

Copied by .....

Examined by

WDGSS—GPS—30,000—25-5-27

Appendix F G—1

SUBJECT

36

Section ML
File No. 271-27
Serial No. 18
No L 385760

Diary No. of letter replied to... .. ..

General and Revenue Secretariat

( )

the 192

To.

Dear Sir,

Date of issue. 28/11/27

Signed by [illegible]

A draft Report of the Octroi Committee was prepared and forwarded to you for examination along with this office letter no C 46-6-21 of 6 6 1922 I am to request that your opinion on the matter may be forwarded immediately as the draft was sent to you so long ago as 5 months

draft under submission for approval [illegible] 28/11/27

[illegible]

st of enclosures.... ....

Copied by .. ..

Examined by ... . [illegible]

To

1) Dr B K Ghosh

2) [illegible]

3) " B Dutt

4) Khan Bahadur Mir Akbar Khan

Sec'y Octroi Committee

OCT

GPS—20,000—18-9-26

Government of His Highness the Ruler of [illegible]
General and Revenue Secretariat.

No. [illegible] 3857-60 Fnl 271-27-[illegible] Ootacamund, the 29th November 1959.

Dear Sir,

A draft report of the General Committee was prepared and forwarded to you for an expression of your opinion with this office letter No.G.4843 dated 6th June 1959. I am to request that your opinion in the matter may be furnished immediately as the draft was sent to you on long ago as 6 months and the Committee's report has to be sent urgently.

The reference may be treated as very urgent.

Yours sincerely,

(MRS DRAFT) [illegible]
Secretary,
General Committee.

To

The other four Members of the Committee.

K.T.R.C.
29/11.

3

Tumkur

Dated the 30th November 28

L.O. 2447

With reference to your letter asking me to give my opinion on the note annexted to it, I beg to state that I have gone through the note (enclosure II) as well as the draft recommendations proposed to be sent up The question of the -- abolition of Octroi as well as the question of substituting it by any other form of tax either direct or indirect is so important as can't be disposed off by the expression of individual opinions by members of the Committee I am afraid such a course was never contemplated by either the members of the Committee or the Government that appointed it In my opinion the best -- course to be adopted is to convene a meeting of the Committee and come to a conclusion after a thorough discussion of all the pros and cons of the system May I therefore request you to kindly move the Chairman of the Committee to convene a meeting so that the question may be decided after discussion

Please excuse delay in reply as it was entirely due to my disinclination to send such a one

Yours sincerely,

H Venkataramana

T K Someswara Iyer Esquire, B A , B L

Secretary Octroi Committee,

Public Offices Bangalore

D.O.No. L4374 M271-27/-19 R&B

Dated, Bangalore, the 6th December 1918.

Dear Sir,

You might remember that prior to your departure to Europe on leave, you left a note on the question of abolition of Octroi duties. It was suggested therein, that the Octroi Committee should, in the interests of taxpayers of the whole State, give further consideration on the alternative of direct taxation, that lands cropped with houses bear less burden of taxation at present and house tax would be appropriate way of adjusting taxation, that there are many towns in which a large increase could be made by proper valuation without any increase in rates by independent revenue --- officers delegated for the purpose taking 2 or 3 times in which there has been the largest interval since the last valuation, that the question of tax on professions or shops also may be examined on a comprehensive basis and that an experimental enquiry may be made in 2 or 3 typical Municipalities for determining exactly what rates of direct taxation would be necessary if the Octroi were to be abolished.

The proposal to appoint a special Officer for a period of six months for the investigation of the question of replacement of Octroi tax by system of direct taxation was considered in Council who were of opinion that the proposal might be dropped. Suitable revisions are however being

being made in the draft Municipal Regulation Amendment bills for the appointment of Revenue Officers in regard to assessment of house taxes in Minor Municipal Councils and also Town and City Municipal Councils.

On the basis of your note and the provisional conclusions of the Taxation Committee a draft report was prepared by me and circulated among the members of the Octroi Committee for an expression of opinion so that orders may issue in accordance therewith. Copy of the draft report is herein enclosed.

Messrs. C. Subba Rao and N.S. Nanjundiah have signified their approval to the report with some slight suggestions and Mr. M. Venkatramiah considers that the subject is not one that should be disposed of by individual expression of opinion and that the best course would be to convene a meeting of the Committee where a decision may come to after a thorough discussion of all the pros and cons of the system. The other members have not yet replied.

In these circumstances, I am to request the favour of your fixing a suitable date for a meeting of the Committee.

Yours sincerely,

DRAFT)

To

Sir Charles Todhunter, K.C.S.I.,
Private Secretary to His Highness
the Maharaja of Mysore, Mysore.

PARK HOUSE, MYSORE.
22ND DECEMBER 1929

Dear Mr Madhava Rao,

Many thanks for your d o letter No IA374/M1 271-27-19 of the 19th instant which covers copy of the draft report on Octroi

I am quite ready to fall in with the idea of having another meeting to discuss the draft report in detail, if that is what the members wish, but I am very much afraid that it will be some time before I can give up time continuously to taxation matters again I have just been writing to Mr Srinivasa Iyengar suggesting that, for the purpose of closing the Taxation enquiry, we should try to have a series of continuous sittings from the 11th February onwards, and if this would suit you, I would suggest that we should include the sittings of Octroi Committee in the same series

Even this date I am afraid will have to be provisional, but I hope that nothing will happen to prevent my adhering to it

Yours sincerely,

L 4681 Dt 19-1-1929

FR 27-27-21

D.O.No.L.

Dated, Bangalore, the Jan 1929.

Dear Sir,

Your D.O. letter No.726 dated the 22nd December 1928 in regard to the draft report on Octroi has just been placed before me after my return from leave As already stated in my D.O. letter No.L.4574 Ml. 27i-27-19 dated the 19th December 1928 Mr. M. Venkataramaiya wants a thorough discussion as to the pros & cons of the Octroi system. A meeting of the Committee may therefore be arranged for in the Ochoa series connected with the sittings of the Taxation Enquiry Committee as suggested by you Notice of the meeting will be given to the members on hearing from you as to the date convenient therefor.

Yours sincerely,

Chief Secry to Govt.

To

Sir Charles Todhunter, K.C.S.I.,
Private Secretary to H.H.
the Maharaja of Mysore, MYSORE.

Office of the Financial Secretary to the Government of Mysore,
Camp, Robertsonpet
Dated, Bangalore 31-1-1929

Dear Mr. Madhava Rao,

I enclose herein for your kind information copies of Sir Charles Todhunter's letter of 29th January 1929 about the meetings of the taxation enquiry Committee during the next week and of my reply thereto. Would you kindly arrange to have the meeting of the Octroi Committee also in the same week as suggested by Sir Charles Todhunter'

I will stay here tomorrow and will be at Kolar on the 2nd proximo. I shall be obliged for a reply by return if possible.

Yours sincerely,

LSG
With thanks & Regards
By
Roy
1/2/29.

To

N.Madhava Rao, Esq., B.A.B.L.,

Chief Secretary to the Government of Mysore
Bangalore.

Yours [illegible]

sd/- C.Todhunter

"Copy"

Hassan Camp,
29th January 1929.

Dear Mr Srinivasa Iyengar,

I am so sorry to have been so long in replying to your note of the 17th instant regarding the dates for meetings of the Taxation Enquiry Committee, but had to wait for other fixtures on which my own movements depended

As I am little doubtful whether I shall be able to stay in Bangalore continuously from the 11th February next, I am writing now to suggest that, if you don't think it will be inconvenient to other members, we should have the meetings from the 5th Februrary, from which date I hope to be in Bangalore for at least a week

If this would suit you, I should be grateful if you would issue notices accordingly

Would you also kindly communicate with Mr Madhava Rao, who is in charge of the Octroi Committee, and has suggested having a meeting of that in the same week?

At the same time I understand that there is a Tolls Committee sitting under the presidentship of Mr D'Souza, whose conclusions will be intimately connected with our conclusions on the question of motor transport, and perhaps it would be well to have a joint meeting with them or in the alternative to retire from that part of the enquiry in their favour

I hope we shall be able to get the members together and get the work done in a week, but it is evident that we shall have a good deal to digest

Yours sincerely,

gd/- C Todhunter

" C o p y "

30/1/29

B. SRINIVASIENGAR Esq B A B L
Financial Secretary to Government

Office of the Financial Secretary to the
Government of Mysore
Camp, Robertsonpet K G F
Dated ~~Bangalore~~ 31-1-1929

45

Dear Sir,

I have just received your letter of 29th January 1929 from Hassan camp which has been sent to me from Bangalore along with other taggal As the meeting was provisionally arranged to begin from 11th February 1929 I fixed up a short tour in the Kolar District for inspection of revenue and other offices and according to the programme I hope to reach -- Bangalore on the 5th If there is no objection the meetings may commence from the 6th February 29 I have wired for instructions and on receipt of the reply fresh notices will be issued to the members

I have also written to Mr Madhava Rao about the meeting of the Octroi Committee and Mr.D'Souza about the joint meeting with the Tolls Committee etc ,

Yours sincerely,

Sd/- B Sreenivasa Iyengar

To

Sir Charles Ted Hunter,K C S.I ,

Private Secretary to His Highness the Maharaja
of Mysore.

L S-217
1/2/29 46

Dear Mr Srinivasa Iyengar

With reference to your letter Camp No 2 Robertsonpet, dated the 31st January 1929 to Mr Madhava Rao regarding the meeting of the Octroi Committee to be held during the week arranged for the meetings of the Taxation Enquiry Committee, I write to say that a meeting of the Octroi Committee may be held on the 11th instant Your letter does not give any idea as to the time at which the meetings of the Taxation Enquiry Committee will commence each day This may also be kindly intimated so as to enable me to issue suitable notice to the Members

Yours sincerely

RA 1/2/29

K

406

/

3411 47
L 1037

C1 POSTS TELEGRAPHS.

NOTICE.
This form must accompany any inquiry made respecting this Telegram.

Charges to pay.
Rs. An.

2 FEB 29

Handed in at (Office of Origin.)	Date.	Hour	Minutes.	Service Instructions.	Words.
Holar	2	13	35	Ray —	14
				Rec'd here at 14 35	M.

TO

genuine signature

Ag 1.54 Stamp Duty Rs 1/-

our committee sits from
9 a.m. to noon meeting commences
on 4th

January

2 N.—The name of the Station, if telegraphed, is written after the text.
Kwick Bus Book, Preston, Calcutta—868 (8-135)—22-12-27—80,000 Sts.

meeting of the Committee
to consider the draft report
regarding the abolition of
Octroi etc circulated to the
members with this office memo
no 46-52 dated the 6th June 1928
will be held at 12 noon
on Monday the 11th February
1929 in the Public Offices,
Bangalore.

I am to request you to
kindly make it convenient
to attend the meeting on
that date

I have etc

Sd/-

Secretary to the Committee

No 6257-59 dated

members

Copy to the (1) Registrar G.R.S
for making seating & lunch
arrangements and (2) Chief
Reporter for necessary action

By order

Sd/-

Secy to the Committee

dtd

No 7

B. SRINIVASIENGAR, Esq. B.A B.L.
Financial Secretary to Government.

Office of the Financial Secretary to the Government of Mysore,
Camp, Kolar.
Dated, Bangalore, 2/2-1929.

GEN & REV SECTT
3443
6 FEB 1929

L. S. I received

Dear Mr. Ranga Rao,

In continuation of my wire of this date I write to state that the Taxation Enquiry Committee meets at twelve noon from the 6th instant I think it will be convenient if the Octroi Committee meeting is arranged to commence at the same time. The date proposed for the joint meeting viz., the 11th instant seems suitable

Yours sincerely,

To

R Ranga Rao, Esq., B.A.,B.L.,
Secretary to Government, General Deptt
BANGALORE

H. Venkataramaia, B A B L.
Advocate

[illegible]

TUMKUR.

Dated 9 3 1929

Sir

I cannot attend the meeting of the Octroi Committee on the 11th inst on account of heavy work here on that day I thought it was understood that the meeting had to be held on Saturdays Please excuse absence

Yours Sincerely

H Venkataramaia

T K Someswara Iyer Esq
Secretary
Octroi Committee

C SUBBA RAO, B. A., B. L.
ADVOCATE.
ಸಿ. ಸುಬ್ಬರಾವ್, ಬಿ. ಎ., ಬಿ. ಎಲ್.
ವಕೀಲರು, ಬೆಂಗಳೂರು.

Mc 271-27-23

Shimoga,
Date 10-2-1929.

L 35-36

Dear Sir,

As I have arranged to celebrate my granddaughter's marriage on the 14th inst. I cannot leave the Station and so, I regret my inability to attend the meeting of the Octroi committee tomorrow.

Yours truly
C Subba Rao
advocate.

To.

T. K. Sanjeevanna Iyer Esq. B.A. B.L.
Secretary
Bangalore

Invites for formal
Must not be placed in
the papers for the after decision
CA
15/2/29
15/2/29

Mel 271-27-24
L 5795 dy 25-2-24 Exec 11-2-24

To

The Private Secretary
to H H the Maharaja of Mysore

Respected Sir,

In submitting herewith a copy of the abstract of the proceedings of the Joint Meeting of the Taxation Enquiry Committee and the Octroi Committee held on the 11th February on the question of Octroi ~~as pertains to~~ received from the Reporting Section, I beg to state that the conclusions noted about Item No 7 of the note drawn up by the Taxation Enquiry Committee do not seem to be full There were 5 sub-items thereunder (a) to (e) The abstract prepared by the Reporting Section mentions only (a) and (e) which are now numbered (a) and (b) during discussion Conclusions During the discussion there was the idea (1) to tax sheep and goats both slaughtered and brought for slaughter ~~sub~~-item (d), (2) to leave to the option of the Municipal Council either to levy a license fee from both wholesale and retail dealers of tobacco in each case or to vend the monopoly by auction, the lessee being permitted to levy a fee -Item (e) (3) to adopt sub-items (b) and (c), the income-tax staff being used for the purpose

The decision recorded as to sub-item (a) seems to be alright

As the proceedings of the Committee have ~~perhaps~~ to be sent up to Government and I feel a doubt as to the correctness of the abstract decisions as prepared by

54

by the Reporting Section, I beg I may be kindly instructed as to whether all the above conclusions should not be incorporated or whether the proceedings as put up ~~are~~ marked ~~with~~ ~~my~~ ~~amendments~~ ~~and~~ ~~corrected~~ ~~as how it requires to be amended~~ Amendments are enclosed herein. Certain verbal corrections are also proposed in the abstract

I beg to remain,
Yours obediently,

Secretary, Octroi
Committee

A-20 6 28
2

The Palace 35

Mysore 27th February 1929

Dear Sir Madhava Rao

Might I ask you very kindly to advise me on the letter herewith from the Secretary to the Octroi Committee?

I will gladly go through the long note of the proceedings of the joint meeting if you think it is necessary, but it would mean a good deal of work to write up a connected account of the discussion especially after this lapse of time, and I am not sure that it would serve any very useful purpose when done

I hope therefore that the report of the Taxation Committee which embodies the result of the discussion, will be held sufficiently to meet the case

My only fear is lest the members of the Octroi Committee should not consider this a sufficiently formal disposal of their terms of reference and it is on this point that I specially seek your advice

I expect to be in Bangalore on the 2nd for the Taxation Committee meeting, so perhaps we could discuss the matter then

SECRETARY
B 1929

Yours sincerely

C G Todhunter

Madhava Rao, Esq B A B L
Chief Secretary to the Government of Mysore
Bangalore

56

GENERAL AND REVENUE SECRETARIAT

D O No. L S 795 Enclosure Copy of proceedings

Dated Bangalore 25/2/29

Respected Sir,

In submitting herewith a copy of the abstract of the proceedings of the Joint Meeting of the Taxation Enquiry Committee and the Octroi Committee held on the 11th February on the question of Octroi received from the Reporting Section, I beg to state that the conclusions noted about item No.7 of the note drawn up by the Taxation Enquiry Committee do not seem to be full. There were 5 sub-items thereunder (a) to (e) The abstract prepared by the Reporting Section mentions only (a) and (e) which are now numbered (a) and (b) and as final conclusions During the discussion there was the idea (1) to tax sheep and goats both slaughtered and brought for slaughter, Sub-item (d), (2) to leave to the option of the Municipal Council either to levy a license fee from both wholesale and retail dealers of tobacco in each case or to vend the monopoly by auction, the lessee being permitted to levy a fee- Item (e), (3) to adopt sub-items (b) and (c), the income-tax staff being used for the purpose

The decision recorded as to sub-item (a) seems to be allright.

As the proceedings of the Committee have to be sent up to Government and I feel a doubt as to the correctness of the abstract

isions as prepared by the Reporting Section, I beg I may be kindly nstructed as to whether all the above conclusions should not be incorporated or whether the proceedings as put up may be adopted and what amendments are required therein. Certain verbal corrections are also proposed in the abstract

I beg to remain,
Yours obediently,

Secretary, Octroi Committee

Sir Charles Todhunter, K C.S I ,
Private Secretary to His Highness the Maharaja of Mysore
Chairman Octroi Committee

Abstract proceedings of the joint meeting of the Taxation Enquiry Committee and the Octroi Committee held on 11th February 1930, commencing at 12 Noon.

oooooooo

P R E S E N T.

Chairman. Sir Charles Todhunter, K C S I., Private Secretary to H H the Maharaja of Mysore

Members.
Mr K Subramani Aiyar, B A , F S A A ,
Mr K. Rama Rao, B A., B.L.,
Mr K S Subba Rao, M.A., Bar-at-Law.
Mr S Abdur Rahiman, B A ,
Mr M.S Linga Gowda.
Mr Muhammad Osmann Khan.
Mr. B. Srinivasa Iyengar, B A., B L.,
Mr M. Madhava Rao, B A , B L.,
Col F A. Barton

oooooo

As only one member of the Octroi Committee was Present at the commencement - (Mr B.K. Garudachar) a general discussion took place among the members present regarding the octroi proposals as a whole On the question of the mode of assessing octroi duties, Mr B K. Garudachar pointed out that there were practical difficulties in the way of taxing articles at the shop because there were hundreds of petty merchants throughout a given town or City dealing with a number of commodities assessed to the duty of

The Chairman explained the original mode of levying the tax in Italy and how at the end of one year the merchants themselves agreed to pay a reasonable tax fixed on the basis of invoice, so that octroi practically resolved itself into a general shop tax, which was, in other words, a profession tax

Mr B.K. Garudachar was in favour of imposing a profession tax in lieu of the Mohatarfa, even though in particular cases, Mohatarfa was higher than the profession tax itself.

Mr K S. Iyer thought that no fresh taxation purposes were called for provided the Municipalities agreed to levy all the taxes which they were already empowered to levy.

The Chairman referred to the alternative methods of taxation and said that stopping carts coming into the Municipality and taxing the commodities was one way though it was the most clumsy. Taxing at the shop or taxing the shop's turnover or merchants' profits was another way which was more logical as per the recommendation of the Indian Taxation Enquiry Committee.

Mr Garudachar enquired whether it was the intention to impose a general tax all over the Province irrespective of Municipal levies The Chairman stated that that was not necessary in case the local bodies made up the necessary income in any other way.

Mr Garudachar then raised the question of the desirability of imposing income-tax for imperial purposes and profession tax for local bodies and said that this double levy would cause the shifting of the trade of a given locality to places where there was no such double levy and instanced the case of the Civil and Military Station, Bangalore, where such a thing happened He was particularly afraid that the piecegoods trade

59

of Bangalore City was bound to suffer if an additional profession tax was contemplated

The Chairman stated that there was no difference whatever to the honest trader between a primitive, abominable system of taxation like the octroi and the levy of the same tax on the same article in another way. He added that experience of all the countries that had tried so far to work out the octroi system was that merchants themselves offered to pay on the basis of their invoices in preference to standing the perpetual harrassment and expense of octroi

Referring to the articles proposed to be assessed to octroi, he said that the income would be enormous if the levy was made at the shop

Mr B Srinivasa Iyengar was, however, afraid that that might give room for a considerable amount of leakage.

The Chairman thought that the leakage would not certainly be more than in the case of octroi at present He quoted the example of the Hassan District where merchants preferred to pay a tax on the basis of the year's business instead of being harrassed at the frontier other gates He added that once a shop tax on particular articles was decided upon, merchants would protest against being taxed on account of their particular trade and would urge taxing other traders as well The logical conclusion of such a position was to decide upon a general profession tax He preferred this to the octroi

a tax

It was an obnexious system in every sense of the term

Col Barton feared that the income would be very much reduced if the tax had to be levied on the basis of invoices and added that the merchants would be very rarely willing to produce ~~xh~~ reliable figures relating to their profits

Summary of further discussions

As more members of the Octroi Committee had joined the sitting by this time the Chairman invited further discussions relating to the propositions framed by the Taxation Enquiry Committee on the basis of the Octroi Committee's report

Proposition No. 1. "As compared with other forms of property house sites are very inadequately taxed"

Mr B Srinivasa Iyengar explained that the idea was to tax the house sites even when the houses were built upon them

Mr Osman Khan protested against the inclusion of Bangalore City under Municipal Towns for the purpose of this tax, on the ground that already house sites were taxed very heavily

The Chairman replied that in spite of the enhancement of the rates complained of, the price of the sites had appreciated by leaps and bounds due to the activities of the Municipality and as such the difference in price was an unearned increment In these

circumstances, the owners of the sites should not grudge to pay the enhanced rates to the Municipality He further invited attention to paragraphs 117, 440 and 441 of the Indian Taxation Enquiry Committee's report ~~just~~ to - indicate that several items were proposed to be taxed in British India which were not at all taxed in Mysore

The Proposition was taken as accepted with the addition ~~that~~ of the words "whether built upon or not" ~~being substituted~~ after the words 'house sites"

Proposition No 2

"As compared with other forms of property, the municipal tax on houses is very low compared with other taxes and compared with rates elsewhere and the assessment is inefficient "

Mr K S Iyer suggested that the words "assessment may be made more efficient" be substituted for "assessment is in-efficient"

Mr B K Garudachar objected to a further enhancement in the maximum of ~~the~~ the house tax leviable The utmost that could be done in the present circumstances was to recommend the levy of the maximum rates already ~~fixed~~ allowed under the Regulation

Mr K S Iyer thought that the maximum rate should be raised from 6 to 8 per cent The Chairman agreed in this view and said that in England it went up sometimes to 130 per cent Mr B K Garudachar observed that no purpose would be served by raising the maximum when ~~that~~ the existing maximum itself was not nearly reached ~~and the Mysore~~ he said could by no means be ~~England~~ and other more

62

Mr Barton suggested that the maximum may be raised to 8 per cent but immediately only 6 per cent be insisted upon

At this stage, proposition 7 (a) was also taken up for discussion

> 7(a) "An Improved assessment of the taxes on houses and house tax sites and an increased rate"

Mr Abdur Rahimen had no objection to raising the maximum if the present maximum was not insisted upon immediately

At this stage the propositions 2 and 7(a) were confirmed with the modification that in proposition (2) the words "capable of much improvement" be substituted for the word "inefficient"

Proposition No 3.

"The professions and trades in Municipalities do not pay their share"

Mr M S Subba Rao brought to notice that the poor man who used kerosine oil paid a tax on it but the richer man who substituted electric power for the oil escaped all taxes thereon The Chairman and Mr S Srinivasa Iyengar thought that the levy of a tax on power would virtually mean restricting the demand for a monopoly supply

With regard to the point under discussion viz., levy of profession tax, the Chairman observed that the money-making professions were not taxed enough just now and that they should made to pay a graduated tax assessed

Mr B K Garudachar invited attention to the fact that this had already been provided for in the Municipal Regulation, but that when the experiment was tried, the local bodies found that the profession tax realisations merely equalled the octroi amount

After a further discussion on these lines, the proposition was agreed to

Proposition No 4

The Octroi tax offends against all the canons

Proposition No. 5.

A terminal tax would be no better and would be inapplicable to Mysore conditions

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Both the propositions referred to above were agreed to without any discussion

Proposition No. 6 & 7(a)

6. "The articles to which the draft report would limit the tax, viz., tobacco and piece-goods jaggery and sugar, kerosine oil, sheep and goats, are all articles that can be much better taxed elsewhere than at the octroi barrier"

7(a) "A quantitative shop tax based on turnover in the case of piece-goods, jaggery and sugar and kerosine oil"

Mr K S Iyer pointed out that the chief difficulty in this connection was the want of a proper organisation to ascertain the turnover in each case The Chairman pointed out that this was only a half way house, He said that a thorough-going profession tax was much more satisfactory and that a selection of

not at all fair.

According to him, the three alternatives for consideration ~~are~~ were —

1 continuing the octroi levy as at present;

2 Levying a shop tax or a tax based on the turnover of a year as suggested in Volume 2 of the Indian Taxation Enquiry Committee Report, ~~and~~ or

3 to levy a regular profession tax on all merchants and traders

With reference to the levy of a tax on piece-goods, Mr Srinivasa Iyengar was of opinion that there was no difficulty in collecting it at the barrier The Chairman said that - levying octroi at the shop was equally convenient but Messrs K S Iyer and B Abdur Rahimen pointed out that the system would not work in places not connected by railways ~~and~~ or when the bales ~~are~~ were unloaded in the neighbouring railway station and conveyed into the City through bullock carts The Chairman then said that the best thing to do was to proceed to ~~key~~ levy the tax on the basis of invoices At any rate, he said, ~~that~~ the present system of octroi levy must go, as that was a most expensive and ~~a~~ most harrassing and ~~a~~ clumsy way

Mr Abdur Rahimen then agreed that the change contemplated would work well with an efficient income-tax staff, though there ~~would~~ might be trouble in the beginning

Mr K S Iyer then suggested that it was ~~desirable~~ to create an organisation ~~which~~ would

f ~~[illegible]~~ as

well on sheep-tax.

Mr B.Srinivasa Iyengar agreed that this was an ideal, but all the same he would be in favour of opinion that the change should be gradual

The Chairman replied that with an efficient income-tax establishment this system was also bound to work well because the officials concerned would then have to go about from house to house and step by step to overhaul the books and ~~[illegible]~~ initial them from day to day.

The propositions were accepted

Proposition 7(b)

"A tax on professions and trades."

The Chairman suggested that the tax referred to should be a graduated one like the income-tax

Mr E Rama Rao thought that a professions tax was not generally graduated while the income-tax and said that the moment it was graduated, it ceased to be a profession tax.

The Chairman said that that was not the issue and that the proper name for the proposed levy would be a "tax on professions and trades." The question was not pressed.

Col. Burton suggested that a cess on income-tax would probably be a better substitute for this tax.

The Chairman pointed out that in that case, it would touch only a particular class

of people with a minimum income per year which was not the idea

The proposition was accepted

Proposition 7(d)

A tax per head on cattle, sheep and goats slaughtered

Mr M S Linge Gowda wanted that cattle brought for slaughter should also be included in the category The suggestion was accepted

Mr B K Garudachar enquired how the levy should be made in the case of minor municipalities where there were no slaughter houses Mr Srinivasa Iyengar observed that every Municipality — whether major or minor — ought to have a slaughter house

At this stage, Mr Osman Khan referred to proposition (2) and wanted an adjournment to enable the members to think more about the subject before finally agreeing to increasing the municipal tax As the suggestion was not accepted he informed the House that he would be sending a dissent note in respect of this proposition

With reference to the levy of a tax on sheep and goats brought for slaughter, Mr B K Garudachar stated that a sort of tax was already being collected at the shandies but the tax was being paid by persons coming from the neighbouring villages and not by local people. The substitution of a levy at the slaughter house help the municipalities other than

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these in which such shandies were held

The Chairman replied that shandy tax was site rent and was a legitimate charge which had nothing to do whatever with the octroi If a Municipality chose to build a market and let out shops sites, it could make a great profit out of it and could afford to dispense with the shop tax altogether He then invited attention to the recommendations in paragraph 405 of the Indian Taxation Committee Report in respect of this matter

Mr K S Iyer supported the adoption of these proposals

The suggestion was accepted

Proposition 7(e)

"A fee for the monopoly of vend of tobacco levied through auction of the right to vend"

The Chairman explained that the idea was to sell the right to vend tobacco by mohallas he explained that the man who purchased the right in auction would go round and ascertain roughly and supply the quantities that the petty tradesm would require, on payment to him of a certain fee He added that this would indirectly help to reduce the number of places of vend and bring down consumption also

Mr B K Garudachar was not in favour of taxing tobacco chips (Kaddipudi) as that was almost a necessity to the raiyat Other members however differed from this view

The Chairman added that tobacco was already being taxed in many and the proposed levy was [illegible], he said.

tried in Madras and it was found that it gave rise to a great deal of smuggling.

Mr N. Madhava Rao stated that the idea at present was to try the experiment in the Mysore City and to levy a license fee on all people selling tobacco in any form He suggested that this system be tried as a first step instead of attempting a monopoly all at once.

The Chairman had no objection to the proposal.

Mr B Srinivasa Iyengar also agreed that this would in that case bring in to the Municipalities an amount not less than the actual realisations from octroi duties.

Mr. Madhava Rao replied that where there the Mysore Municipality which had examined the question system was being experienced that it yielded a slightly greater income than octroi in great detail advocated but for license fee only

The Chairman enquired whether there was any objection to leave the option to the Municipalities concerned. Mr. N. Madhava Rao said there was none

The proposal was thereupon agreed.

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Messrs B K. Karudachar and Md Osman Khan feared that the scheme might mean a loss of revenue to the Municipalities unless Government themselves tried the experiment. Mr. B Srinivasa Iyengar pointed out that even though it was the Government that tried the experiment it must be limited within the Municipal areas and with the concurrence of the local bodies concerned. He added that Government would promise to make up

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the deficiency if any. All the members and others present accepted the proposals on the understanding that the experiment should be tried out with the help of a special staff and under Government direction and that Government should make good any loss that the area under experiment might incur.

The propositions as finally proposed were as follows --

1. As compared with other forms of property, house sites whether built upon or not are very inadequately taxed.

2. The Municipal tax on houses is very low compared with other taxes and compared with rates elsewhere, and the assessment is capable of much improvement.

3. The professions and trades in Municipalities do not pay their share.

4. The octroi tax offends against all the canons.

5. A terminal tax would be no better and would be inapplicable to Mysore conditions.

6. The articles to which the draft report would limit the tax viz., tobacco and piece goods, jaggery and sugar, kerosine oil, cattle, sheep and goats, are all articles that can be much better taxed elsewhere than at an Octroi barrier

7. The substitutes for Octroi therefore are

(a) an improved assessment of the taxes on houses and house sites and increased rates

(b) A license fee for the monopoly of vend of tobacco levied through auction of the right of vend.

A scheme on these lines should be tried out by a thoroughly efficient and trained agency working in conjunction with the income-tax agency in selected places before being commended generally to local-self governing bodies.

At this stage, the joint sitting of the two Committees came to a close, only members of the Taxation Enquiry Committee remaining to speak.

L $834
28 2 1929 70

Dear Sir Charles Rodhunter,

I am in receipt of your D O letter No 1028, dated the 27th February 1929 enquiring how you should deal with the report of the Octroi Committee I agree with you that it would serve no useful purpose to keep an account of the discussions when the report of the Taxation Committee is ready, an extract of it relating to octroi duty and its proposed substitutes may be sent to the members of the Octroi Committee This, I think will be a sufficient recognition of their part of the work

Yours sincerely,

Chief Secretary

THE PALACE

MYSORE

7th March 1929

Dear Sir,

With reference to your letter of the 26th February last in which you have forwarded me for approval copies of the proceedings of the Octroi Committee, I write to say that I have discussed the matter with Mr Madhava Rao who agrees with me that it will not serve any useful purpose to keep an account of the recent discussions What he suggests is that, when the report of the Taxation Committee is ready, an extract of it relating to the Octroi duty and the proposed substitutes for it should be sent to the members of the Octroi Committee with a covering letter explaining that the portion of the report concerned embodies the conclusions of the joint meeting This will, he thinks, be a sufficient recognition of their part of the work I hope that you will agree and shall be glad if, in that case, you will take action accordingly

Yours sincerely,

T K Someswara Iyer, Esq , B A , B L ,
Secretary, the Octroi Committee,
Public Offices, Bangalore

A. P. F. VI GI]

SUBJECT .. ..

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72

Section

File No 271-27

Serial No 28

No L 6256-62

Diary No. of letter replied to

General and Revenue Secretariat

( )

the *192*

Date of issue 28/3/29

Signed by Mr D-28 Deputy

To From the Secy octroi Committee

To The Committee members of the Committee

Sir

I am directed to forward herewith for information an extract from of the report of the Taxation enquiry Committee relating to the octroi duty and the proposed substitutes for it. This extract only embodies the Conclusions of the joint Committee also held on 11th Feb 1929

over

I have etc

The portion marked [ ] in pages 10 and 11 of the Taxation Committee Report may be read as an extract

List of enclosures

Copied by

Examined by

Government of His Highness the Maharaja of Mysore.

General and Revenue Secretariat.

Bangalore, the 25th March 1939.

No. 6256-62
and 27-27-25

From,

K. Seshadrivasa Iyer, Esq., B.A., B.L.,
Secretary to the Retrenchment Committee.

To

The Private Secretary to the Commissioner

Sir,

I am directed to forward herewith for information a copy of the report of the Retrenchment Committee relating to the General Duty and the Preventive Officers for 39. This concerns especially the consideration of the Judicial Committee which held on 11th February 1939.

I have the honour to be,
Sir,
Your most obedient servant,

Secretary to the Retrenchment Committee.

K.S.

Extract from the report of the Taxation Enquiry Committee

-2

The Committee are of opinion that a tax on tobacco is an entirely suitable form of additional taxation and that a system of taxation may be built up on the basis of the present taxation through Octroi and Municipal licenses, further development being undertaken on the lines indicated in the report of the Indian Taxation Enquiry Committee on control in general, and that, if and when a State tax on tobacco is introduced and in supplant in a municipal tax, the municipality ought to be compensated on the basis of the revenue at the time of its introduction.

XX XX XX XX

As a result, our final recommendations on this subject are as follows -

(1) As compared with other forms of property, house sites, whether built upon or not, are very inadequately taxed.

(2) The Municipal taxes on houses in the State are very low compared with other taxes and compared with rates elsewhere, and the method of assessment is capable of much improvement. Enquiry should be made into the revision of the valuation of the houses in municipal limits and the possibility of an increase in the rates, and the work of valuation should be done by least efficient of the Revenue Department.

(3) The professions and trades in Municipalities do not bear their share of the common burden.

(4) The Octroi tax offends against all the canons.

(5) A terminal tax would be an better and would be inapplicable to Mysore conditions.

(6) The five articles viz., piece-goods, tobacco, jaggery, sugar, kerosine oil, shoop and gents to which it was proposed suggested

suggested. As a result of the earlier discussions of the Octroi Committee, that octroi should be limited, one all articles that can be taxed otherwise more effectively than through dispersed and uncertain as an octroi barrier.

(7) The substitutes for octroi suggested by those considerations are (a) Increased rates of house-tax, coupled with an improved method of collecting the tax. (b) a graduated tax on professions and trades. (c) a tax on cattle. sheep and goats slaughtered. (d) a license fee for the vend of tobacco, which might be levied either as a fixed rate or through taxation of the right of vend.

The question of a countervailing sales tax upon piece-goods, jaggery and sugar and kerosene oil was discussed, but it was decided that this would only be a half-way house between octroi and a properly assessed profession tax, and that it would be better to adopt the latter as also, provided of course that an efficient machinery for assessing it could be secured.

The question of sheep and goats sold at markets within Municipalities was also discussed. To consider that the levy of a market fee for such purposes is appropriate, but this is a matter quite independent of that of substitution of other taxes for octroi.

Mr. L.K. Govindaswamy and Mr. Osman Khan of the Octroi Committee were doubtful if the income under the new proposals would be sufficient to replace the octroi, but were quite prepared to accept them on the understanding that they they should be tried out by a special staff under Government direction and that Government should make good any loss that might result to the Municipalities that might be selected for the trial.

The Committee are strongly of opinion that it is necessary that the changes herein suggested should be given a fair trial in selected areas by a thoroughly efficient and trained agency working independently of the local body, before being committed

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concerned for general adoption. In particular, an endeavour should be made to follow the example of the Government of India in accepting an improved [illegible] scale, and this should in connection with [illegible] should be considered in connection with [illegible] with reference to the [illegible] especially in the case of those who pay income-tax, and on the scale of a house-to-house visitation this investigation, however [illegible] in the case of smaller towns.

The Committee understand that the Government of India are considering the [illegible] under consideration and recommend the consideration of the same question in other large towns.

In the opinion of the Committee, the levy of a tax on [illegible] does not appear likely to be productive.

Extract from the notes of the meeting of the Taxation Enquiry Committee, held at the Public Offices, Bangalore, on 6th February 1929 at 12 Noon.

The question of Octroi was considered in the light of a draft report which had been prepared for the Octroi Committee, but not yet approved by them. The following propositions were tentatively adopted:-

1. As compared with other forms of property, house sites are very inadequately taxed.

2. The Municipal tax on houses is very low compared with other taxes and compared with rates elsewhere, and the assessment is in-efficient.

3. The professions and trades in Municipalities do not pay their share.

4. The Octroi tax offends against all the canons.

5. A terminal tax would be no better and would be inapplicable to Mysore conditions.

6. The articles to which the draft report would limit the tax viz., tobacco and piece goods, jaggery and sugar, kerosene oil, sheep and goats, are all articles that can be much better taxed elsewhere than at an Octroi barrier.

7. The substitutes for octroi therefore are:-

(a) an improved assessment of the taxes on houses and house sites and an increased rate,

(b) a tax on professions and trades other than those indicated below,

(c) a quantitative shop tax based on turnover in the case of piece goods, jaggery and sugar and kerosene oil,

(d) a tax per head on sheep and goats slaughtered,

(e) a fee for the monopoly of vend of tobacco levied through auction of the right of vend.

A scheme on these lines should be tried out by Government agency in selected places before being commended generally to the self-governing bodies.

SRINIVASENGAR Esq B A B L
Financial Secretary to Government

No 102

Office of the Financial Secretary to Government of Mysore

Dated, Bangalore 7th February 19

Dear Mr Madhava Rao

The Taxation Enquiry Committee met on the 6th instant, and a copy of the notes of the meeting is enclosed for your information The Chairman will feel obliged if you will kindly have copies of the extract relating to the question of Octroi distributed among the members of the Octroi Committee in time for the meeting fixed for Monday the 11th instant

Yours sincerely,

N Madhava Rao Esq B A B L ,
Chief Secretary to Government
Bangalore

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Notes of a meeting of the Taxation Enquiry Committee held at the Public Offices, Bangalore, on the 6th February 1929, at 12 Noon.

****

Present.

Sir Charles Todhunter, K.C.S.I., (In the Chair)

Mr.K.Subramani Aiyar, B.A., D.S.A.A.,

Colonel J.A.Barton,

Mr.M.S.Linge Gowda,

B.K.[illegible]

M.Suman Rao, [illegible] B.L.,

B.Abdul Rahman, Esq.

B.Srinivasa Iyengar, B.A., B.L., (Secretary).

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Several important members being absent, it was decided to review the provisional conclusions embodied in the Report to Government of the 14th April 1928 in the light of the further reports since received, and to note a further set of provisional conclusions for presentation to a meeting of the full committee to be held on the 12th instant

The provisional conclusions in the first six paragraphs of the letter were confirmed.

On the subject of income tax and super tax, the further report of the Income Tax Sub Committee was considered. In connection with the revision of the limit of the Super tax, three alternatives were considered, the first to retain the British Indian limit of Rs.50,000 and to reconsider the rates of income tax on incomes from Rs.30,000 to Rs.50,000, the second to adopt the Sub Committee's proposal to impose a rate of [illegible] 6 pies in the rupee on the excess over 30,000 in case of incomes between 30,000 and 50,000 and the third to adopt a graduated scale, namely 3 pies on the excess over 30,000 in the case of incomes from 30,000 to 40,000, 6 pies on the excess over 40,000 in the case of incomes from 40,000 to 50,000 and one anna in the case of incomes over 50,000. The arguments in favour of the third alternative prevailed on the grounds

that (1) the proposals of the Committee in regard to the scale of income already involved so considerable an increase that it was not desirable to push the income tax rate up further at present. On the other hand there was justification for a slight increase on the larger incomes and this could be secured with the greatest amount of equity by imposing it on a graduated scale on the excess over fixed limits. Mr.Garudachar was not in favour of any increase in the taxation on these incomes.

As regards the question of graduating the scale in the case of income of more than a lakh of rupees and of reducing the minimum in the case of undivided Hindu Families Mr.Srinivasa Iyengar pointed out that these were not practical issues as there were no incomes of over a lakh and no Hindu undivided families that came within the scope of this tax. For this practical reason the Committee agreed to let the existing arrangements stand without prejudice to the theoretical advantage of the proposals.

The provisional proposals on the subject of Stamps were confirmed.

As the Sub Committee on Death Duties had not yet reported, the Committee decided to defer the discussion of that question till the 15th instant.

On the subject of taxes on Motor vehicles the report of the Sub Committee dated the 15th November 1928 was considered.

The proposals of the Sub Committee are very much on the same lines as those subsequently arrived at by the Indian Road Development Committee, and it was therefore decided to recommend to the Government that they should express to the Government of India their general concurrence in the latter proposals.

The existence of the Civil and Military Station as an enclave in the State created a difficulty. The Committee's proposal regarding this was that the Government of India should be moved to treat the Civil and Military

Station as a part of Mysore for the purpose of reckoning the consumption in the State, since much of the petrol consumed is purchased in the Civil and Military Station. That being done, it would then be possible to allocate a proportion of the grant received to the Civil and Military Station upon whatever principles might be adopted in the case of large towns generally with reference to paragraph 69 of the Report of the Indian Road Development Committee.

The Committee were much impressed, however, with the fact that the relief that would be given by the imposition of a surcharge of 2 annas a gallon would be inadequate to provide for the large increase in expenditure which is necessary on the roads of the State and would be practically useless for the purpose of providing for the abolition of tolls.

The question of the other alternatives possible was discussed at some length, and the Committee ultimately came reluctantly to the conclusion that it would be necessary to revise paragraph 10(c) of their provisional recommendations in so far as it relates to the raising of revenue through grant of monopolies. Their reasons that led them to this conclusion may be briefly stated. The large and continuous increase that is taking place in the use of motor vehicles, not only for passenger, but also for goods traffic will inevitably lead to an expenditure on road maintenance out of all proportion to that which has been incurred in the past. It will also, if no check is put upon it, lead to a situation in relation to the railway profits similar to that which has occurred in England. And such a situation cannot be contemplated with equanimity by a State which owns the Railways. The present position of competition between buses leads not only to deterioration of roads, but to injury to health by the dust raised and to danger to life owing to the reckless way in which the buses are driven. It is not really profitable to the owners since no satisfactory business can

be established without being at once cut into by rival companies. In fact cases of complete ruin are of frequent occurrence. The essentials of a proper system are (1) that the bus services should act as feeders to, and generally not in competition with the State Railways, (2) that there should be a set of services coordinated both with the Railways and with other bus systems throughout the State, (3) that it should afford inducements to develop the less as well as the more profitable routes, (4) that fares should be fixed at rates which will be reasonable from the point of view of the user of the bus and will at the same time yield a reasonable rate of profit to the proprietor, (5) that the services should be under continuous inspection and control by competent inspectors, (6) that regular depots for petrol and repair shops which could serve private cars as well as buses should be set down at suitable places.

These ends could be secured either (a) by running the buses as a Government monopoly, or (b) by selling the monopoly of particular groups of services which would be defined after careful examination of the local conditions, some of the less profitable being combined with the more profitable routes, and each monopoly being subject to conditions as to nature of vehicle, qualifications of driver, times, fares and other matters.

It was thought that arrangements like this might well afford a substitute, at least for the cities outside municipalities. If so it would substitute for the auction of a very objectionable monopoly, the auction of a less objectionable one, which would carry with it the advantages to the passengers of a very much better service and to the proprietors of a guarantee by reasonable profit. In answer to the argument that it was not fair to impose such restrictions upon a limited class of users of the King's highways it was pointed out that the roads are paid for by the taxpayers of the State, just as much as the railway track, and at the same time that the motor bus owner, when he applies for hire, invites restric-

by placing himself in the position of a public servant. Further there is no more reason why the representatives of the tax payers should give him a license to run vehicles on the taxpayers' roads any more than the taxpayers' railways, while on the other hand, if it was clear that he did damage to the roads and to the health of the people and jeopardised their lives it would be evident that control has required so far from his profits being reduced, it is probable that they would be increased.

Colonel Barton added the suggestion that, if the services were brought under State control in the manner indicated, a further feature of the scheme might be to arrange, through the State Life Insurance Department, for the sale of tickets which would ensure passengers against injury to life or limb as an alternative to the ordinary tickets and at a slight percentage advance in price.

On the subject of tobacco the Committee decided that the recommendation in clause II (e) of their provisional conclusions needed slight modification to provide that, if and when a State tax on tobacco is introduced, and so supplants a municipal tax, the municipality ought to be compensated on the basis of the revenue at the time of its introduction.

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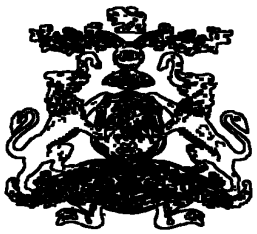
" Copy "

REPORT

OF THE

TAXATION ENQUIRY COMMITTEE IN MYSORE



BANGALORE
PRINTED AT THE GOVERNMENT PRESS
1929

No 2 Enclosures 10

Public Offices, Bangalore
2nd—13th March 1929

From

B SREENIVASA IYENGAR, Esq, B A. B L
Secretary to the Taxation Enquiry Committee,
Bangalore

To

N RAMA RAO, Esq, B A, B L,
Secretary to Government Development Departments
Bangalore

Sir

With reference to G O s Nos D 9339 406—E C 44 27 1 dated 8th March 1928 and 9739 800—E C 44 27 3 dated 15th March 1928 appointing a Committee of the marginally noted gentlemen to consider the proposals contained in Mr N S Subba Rao s Report on Taxation in Mysore I am directed to forward the accompanying report to Government

CHAIRMAN
Sir Charles Todhunte

MEMBERS
1 Mr P W O'Brien
2 N S Subbe R
3 S Venkatesiah
4 B K Garudachar
5 Rao B hadur N S N jurd h
6 M N B ma Rao
7 M S Linge G wd
8 S P Rajagopalach
9 B Abdur Rahm n
10 C l P A B rton
11 M K S b am ni A y
12 B Sre Iy g (l
Secretary to th C mm tt)

2 The Committee co mmenced their sittings on the 31st March 1928 and met seven times in all The details of the attendanc e of the members on the several dates of meeting are given in Appendix A At a series of prolonged and fully attended meetings held on the 31st March and the 11th 12th and 13th April 1928 the Committee arrived at certain provisional conclusions a tatement of which was submitted to Government with my letter No 121 dated 14th—16th April 1928

Meanwhile three Sub Committees had been constituted to consider and report to the Full Committee in more detail on certain branches of the subject as indicated below —

(1) *Income tax* —The question of revising the Income tax schedule was referred to a Sub Committee consisting of Messrs B Sreenivasa Iyengar, P W O Brien and K S Aiyar a copy of whose report is attached as Appendix B After the Full Committee had considered this report the same Sub Committee with the addition of Mr N S Subba Rao and Rao Bahadur N S Nanjundiah was asked to examine the question of the increase in the Super tax rates and the report of the enlarged Sub Committee is attached as Appendix C

(2) *Death duties* —The examination of the question of the practicability of levying death duties in Mysore was referred to a Sub Committee consisting of Messrs B K Garudachar and S Venkatesiah and Rao Bahadur N S Nanjundiah A copy of the report of this Sub Committee is attached as Appendix D The Sub Committee having found that there were no practical difficulties in the way of levy of such duties in Mysore the Full Committee resolved that the question of drawing up a scheme for the levy of such a tax on lines that would be appropriate in Mysore be referred to this Sub Committee with the addition of Messrs N S Subba Rao and M S Linge Gowda and Col P A Barton This enlarged Sub Committee has however so far been unable to meet and on further consideration of the question the Full Committee have come to the conclusion that the drawing up of the scheme may lie over until such time as the levy of the tax comes within the range of practical politics

(3) *Taxation of motor vehicles*—A Sub Committee consisting of Messrs N Rama Rao K S Aiyar, and B Abdur Rahmon and Col P A Barton with whom Mr C Ranganatha Rao Sahib Director of Industries and Commerce was associated, considered the details of the method of levy and the rate of a general tax on motor transport in the shape of a surcharge on petrol This Sub Committee s report is attached as Appendix E

3 The Full Committee met again on the 6th February 1929 for reconsidera tion and amplification of their provisional conclusions in the light of the reports of the Sub-Committees, and held a joint meeting with the Octroi Committee on the 11th idem The members met finally on the 2nd March 1929 and passed the report embodying their final recommendations as detailed in the following pages

4 Mr B K Garudachar, who was unable to attend the final meeting, signified his acceptance of the report subject to certain reservations which are contained in his letter which is printed as Appendix F

I have the honour to be

Sir,

Your most obedient servant

B SREENIVASA IYENGAR,

Secretary Taxation Enquiry Committee

REPORT

Introductory Remarks.

Under a Government Order of 25th January 1927, Mr N S Subba Rao M A Bar at law then Principal of the Maharaja s College, Mysore was placed on deputation,

(1) to examine how far the recommendations of the Indian Taxation Enquiry Committee are applicable to conditions in Mysore and which of them may be adopted with advantage

(2) to investigate into the suitability of the new or alternative taxes suggested by that Committee and the desirability or otherwise of levying them and

(3) to examine the margin of unutilised powers of taxation of Local Bodies and the question of the assignment or transfer to them of any items of revenue which are now credited to Government but which may be placed at the disposal of the said bodies for a proper development of Local Self Government

2 The Report on Taxation in Mysore prepared by Mr N S Subba Rao in pursuance of these instructions was placed before the Economic Conference on the 28th February 1928 In accordance with a resolution passed by that body this Committee was appointed by Government to consider the proposals contained in Mr Subba Rao s Report and to make recommendations as to the adjustments that are necessary in order to secure a more even apportionment of the burden of taxation and as to the order of precedence in which new schemes of taxation should be taken up in the event of further revenue being required

3 At the outset of our enquiry our attention was drawn to the following statements made in Mr Subba Rao s Report —

P 155 The desirability of new taxes can only be determined with reference to the nature of public expenditure and the adequacy or the reverse of the existing sources of revenue

P 156 In recent years the revenue (of the Mysore State) has tended to be stationary, one or two heads even showing a tendency to a fall

P 156 Expenditure on the other hand has been increasing steadily and in some years very sharply

P 157 The only alternatives (for securing an equilibrium between revenue and expenditure) are either a reduction in the heavy demands made by the Imperial Government on the taxable capacity and the resources of the state or additional taxes

P 89 The revenues of the State are for the most part derived from the agricultural classes of the country whose income level is as a rule low

P 92 The taxes of the State fall in the main on labourers urban and rural and small land holders and peasant proprietors The comparatively wealthy persons consist of large holders viz big merchants and the upper grades of the professional classes This class may be said to be comparatively under taxed Classes like small traders in villages and towns and the lower grades of the professional classes contribute practically nothing to State funds

4 The Committee did not feel that they were called upon by their terms of reference to make an examination of the general financial position of the State At the same time they could not be blind to the fact that in view of the rapid developments that are in progress in several departments anything in the nature of an appreciable remission of taxation in the near future is improbable It follows that the means of adjustment of the burden are to be sought rather through increasing the burden on the classes that are comparatively lightly taxed than by attempting to reduce that of the rest

5 Mr N S Subba Rao s proposals have been grouped under the following heads —

(i) Taxes in Mysore which have their counterpart in British India.
(ii) New or alternative taxes
(iii) Local finance

6 His observations under the first group relating to Land Revenue, Income Tax and Stamps will now be dealt with

Land Revenue

P 22 The system of assessment is empirical and does not consciously follow defined principle in respect of basis

P 22 The main recommendation (of the Indian Taxation Enquiry Comm *viz* statutory sanction of the rate of levy is based on the obvious principle taxation should receive the approval of the Legislature and should not be left to discretion of the Executive

P 19 ' Gifts of land and fixed assessments have deprived the State of a considerable amount of revenue

P 19 A gap in the system of assessment is the absence of assessment of building sites for provincial purposes

P 32 Equity and the rights of the general tax payer demand that water should be separated from Land Revenue and levied on an economic basis

P 24 In the case of lands at the disposal of Government the possibility of substituting a system of leases for long periods of years instead of selling them outright, may be considered

7 The Committee s recommendations on these proposals are as follows —

In view of the resettlements that have recently been completed all over the State we do not consider that re examination of the system of land revenue assessment would be of any practical value at present Nor are we prepared to recommend any enquiry into the extent of alienation of inam lands from the original grantees or their descendants with a view to further taxation We are entirely in accord with the policy of Government in resuming inam lands that are bought in for arrears of revenue and converting them to ordinary raiyatwari We agree that the present system does not provide adequately for the assessment of building sites for provincial purposes The system of levying a fine when agricultural land is converted to non agricultural purposes leaves a large potential increment free of taxation It is desirable that this defect should be remedied We recommend that in the disposal of house sites in the possession of Government hereafter the Madras system as described below should be adopted as far as possible

In Madras standard cales of ground rent have been fixed and when any land is to be disposed of such one of these scales as may be appropriate is applied to the plot which is then sold by auction subject to that rent

This should be coupled with the following rider —

The practice of making over a substantial fraction of the proceeds of this tax to the Municipal Bodies should in the opinion of the Committee be generally adopted At the same time it is undesirable that there should be made over with them the management of the lands which seems to be much better left in the hands of the Revenue Authorities

In respect of special classes of lands which are likely to become valuable in course of time *e g* lands fit for coffee or tea estates lands irrigable under large irrigation works etc the Committee consider it desirable to adopt the system of leasing such lands for a term of years instead of selling them outright

As regards the question of water rates wherever possible the charge for water should be separated from the charge for the land The general principles governing the levy of water rates contained in para 138 of the Indian Taxation Enquiry Committee s Report (printed as Appendix G) are recommended for adoption

Excise

36 8. Mr Subba Rao states —

'The increase in the yield from shop rentals has been far greater in proportion than the increase in the yield from duties

'The relative proportions of shop rentals and duty in the case of arrack and toddy are in marked contrast, not merely with each other but also to some extent with the proportions in British India

P 50 'Another aspect of the problem worth investigation at the present time is the illicit manufacture of liquor

The Committee are not satisfied that the fall in Excise Revenue in recent times has been accompanied by a compensating gain in welfare We would recommend an enquiry into the question of illicit practices and into the adequacy of the preventive and controlling staff Concurrently with the question of the Excise staff the possibility of an increase in the rates of excise duties and a surcharge on foreign liquors should be examined It may be considered whether the surcharge system should not be applied to the sale of liquor by clubs In the case of toddy experiments may be made in the separation of the privileges of wholesale and retail vend Lastly the question of increasing the tree rent may also be considered

Income tax

9 Mr Subba Rao's proposals under this head are —

P 62 (1) The minimum of exemption is decidedly too high

P 63 'There is much to be gained in administrative convenience by adopting the same rates as those that obtain in British India

(2) The rates be raised in the first instance all round by 50 per cent except in the case of four and half pies which may be converted to the nearest whole number *viz* 5 pies

(3) Allowances may however be made for wives dependents and children on incomes not exceeding Rs 2 500

P 65 (4) When a person has an income from agriculture in addition to one from other sources there is theoretical justification for the proposition that the former should be taken into consideration for the purposes of determining the rate at which the latter should be assessed

The Committee agreed that a revision of the income tax rates in Mysore was called for and had the question of modification of the tax schedule examined by a Sub Committee The members have not been able to arrive at complete unanimity in their detailed recommendations on this subject A majority accept the suggestion of the Sub Committee for maintaining the present minimum of Rs 2 400 for the time being The Committee with the exception of Mr B K Garudachar recommend the adoption of the following tax schedule —

Grades of income	Present rates	Proposed rates
Rs	Pies	Pies
2 400— 4 999	3	3
5 000— 9 999 (5 000—8 999)	3	4½
(9 000—9 999)	4½	
10 000—19 999	4½	6
20 000—24 999	4½	7½
25 000—29 999	6	9
30 000—39 999	6	12
40 000—49 999	9	15
50 000—and above	12	18

Companies and Registered Firms to pay the new maximum rates

Mr B K Garudachar suggests the following scale in the higher grades —

Rs	Pies
20 000 —29 999	7½
30 000—39 999	9
40 000 —49 999	12
50,000 and above	15

As regards the question of super tax the Income tax Sub Committee suggested the adoption of the recommendation of the Indian Taxation Enquiry Committee, viz., to reduce the limit of exemption from super tax from Rs 50 000 to Rs 30 000 and to levy a lower rate of 6 pies in the rupee on incomes between Rs 30 000 and Rs 50 000 In this connection, three alternatives were considered by the Committee—

the first was to retain the present limit of exemption at Rs 50 000, as British India and to enhance the rates of income tax on incomes between Rs 30, and Rs 50 000

the second to adopt the Sub Committee s proposal to impose a rate of 6 pies in the rupee on the excess over Rs 30 000 in the case of incomes between Rs 30,000 and Rs 50 000 and

the third to adopt a graduated scale namely 3 pies in the rupee on the excess over Rs 30 000 in the case of incomes from Rs 30 000 to Rs 40 000, 6 pies on the excess over Rs 40 000 in the case of incomes from Rs 40 000 to Rs 50,000, and one anna as at present in the case of incomes over Rs 50 000

The Committee approved of the third alternative and recommend its adoption Mr B K Garudachar is not in favour of this proposal

As regards the questions of graduating the scale in the case of incomes of more than a lakh of rupees and of reducing the minimum in the case of Undivided Hindu Families it was pointed out to us that these were not practical issues as there are no incomes of over a lakh and no Undivided Hindu Families that come within the scope of the tax For this practical reason the Committee agreed to recommend that the existing arrangements should be allowed to stand without prejudice to the theoretical advantages of the proposals

The Committee do not propose that any action be taken at present in the direction of the inclusion of income from agricultural sources for the purpose of fixing the rates of tax on non agricultural incomes

Stamps and Court Fees

10 Mr N S Subba Rao states that the recommendations made by the Indian Taxation Enquiry Committee regarding these taxes are generally applicable in Mysore but are matters for appraisal by the legal advisers to the Government An expert enquiry is suggested

On this subject the Committee are of the opinion that the Government should await the result of the consideration of the proposals of the Indian Taxation Enquiry Committee by the Government of India

II New or Alternative Taxes

11 The taxes recommended by Mr Subba Rao for provincial purposes are the following —

(1) A ground rent on building land
(2) Taxes on motor cars
(3) Succession duties
(4) A tax on tobacco

Under item (1) his proposals are as follows —

P 103 The State should reserve to itself the right of levying a fair ground rent in addition to any initial fine on lands outside towns used for purposes, other than agriculture This is not likely to be a large source of revenue

P. 304. As regards land in towns, however there is no doubt that a large unearned increment escapes taxation and it is reasonable that the Government should retain its rights as landlord and obtain for itself a share of the increased value, both capital and annual

P 303 While a ground rent on building land is an equitable form of taxation, the Report says that in present circumstances a considerable addition to the resources of the State is not likely especially as the duty levied on unearned increments will have to go to Municipalities who have helped to create them

The Committee are in favour of the proposal on general grounds and their recommendation on this subject has already been indicated under the Land Revenue Section—*vide* para 7 *supra*

12 *Item (2) Motor taxation* —The question of the taxation of motor vehicles involves several considerations extraneous to the Committee s terms of reference From the point of view of public convenience there have to be considered the injury done to the roads by certain classes of vehicles the injury done to the health of the people by the immense amount of dust that is thrown up, and the danger to life and limb through reckless driving Other considerations are the necessity for regular running by those who undertake this public service suitable vehicles and competent passed drivers the necessity for regulation of fares and the elimination of cut throat competition and continuous inspection and control by competent officers From the point of view of the State Railways there have to be considered the supplementing of the railway services in some cases competition with them in others and generally the co ordination of the motor bus services with the railway services and with one another From the point of view of finance there has to be considered the fact that the cost of keeping up the roads is bound to grow to a figure out of all proportion with the expenditure in the past and that tolls are a highly unsuitable and unpopular form of taxation but that it is extremely difficult to find any adequate substitute and particularly to find one which does not tax the vehicles registered in the State without letting the vehicle that comes from outside go free There is also the question of the loss that would be involved to local bodies by the abolition of tolls and the compensation which would have to be given to them if tolls were abolished

The Committee s first and provisional conclusion was in favour of recommending the imposition of a general tax on motor transport in the shape of a surcharge on petrol and they appointed a Sub Committee to suggest details of the method of levy and the rate

The Sub Committee came to the conclusion that a surcharge of 2 annas per gallon on petrol consumed in the State including the Civil and Military Station would be the most convenient method of taxing motor vehicles and that it would have the additional merit of reaching vehicles from outside which ply in Mysore The best method of collecting the surcharge would be by an arrangement with the importing agents who could instruct the sub agents and vendors to add on the tax as part of the price at which petrol is sold to consumers The surcharge system would depend for its success on the co operation of the Civil and Military Station and a working agreement would have to be arrived at with the authorities there

The proposals of the Sub Committee are very much on the same lines as those subsequently arrived at by the Indian Road Development Committee, and we have accordingly expressed our general concurrence in the proposals of the latter

The existence of the Civil and Military Station as an enclave in the State creates a difficulty Our suggestion regarding this is that the Government of India should be moved to treat the Civil and Military Station as a part of Mysore for the purpose of reckoning the consumption of the State since a good portion of the petrol consumed is purchased in the Civil and Military Station If that is done, it would then be possible to allocate a proportion of the grant received from the Government of India under the proposals of the Road Development Committee to the Civil and Military Station upon whatever principles might be adopted in the case of large towns generally with reference to paragraph 69 of the Report of the Committee (copy of which is attached as Appendix H)

A further provisional conclusion of the Committee was that on the imposition of a general tax on motor transport in the shape of a surcharge on petrol, all tolls

on motor cars should be abolished only those on the borders of the State being continued in respect of cars not registered in the State

Having been informed however that the quantity of petrol consumed in the State including the Civil and Military Station is about 11 lakhs of gallons per annum and that a surcharge on petrol at two annas a gallon would only yield about Rs 1 37 lakhs the Committee were much impressed with the fact that the relief that would be given by the imposition of a surcharge of 2 annas a gallon would be inadequate to provide for the large increase in expenditure which is necessary on the roads of the State and would be practically useless for the purpose of providing for the abolition of tolls The Committee s provisional resolutions on this subject required therefore to be revised

P 107 For the purpose of the imposition of further taxation it is desirable to consider the case of private vehicles and motor omnibuses separately In the case of private vehicles Mr Subba Rao suggests (1) that taxes should be levied at an average rate of Rs 30 for motor cycles Rs 80 for cars and Rs 100 for heavy motor vehicles the registration fee (as well as the fees for renewal) now paid by heavy motor vehicles being merged in the above taxes (2) that Municipal taxation on motor vehicles and levy of tolls from such vehicles in all parts of the State should be abolished and Local Bodies compensated and (3) that special provision should be made for levying tolls on motor vehicles not registered in the State

The Committee were not altogether prepared to recommend the abolition of the local taxation They thought that the license tax might continue, provided that steps should simultaneously be taken to prevent the stabling of the motor vehicles outside the municipal limits for use within them

In the case of motor buses there are two alternatives which may be described as the *alternatives of free competition and monopoly The proposal in the first case is to raise the rate now charged per mile for running services over particular roads if necessary and to grant licenses freely to all applicants who satisfy the conditions laid down provided the roads concerned can carry the traffic and subject to such regulation as would prevent racing and other elements of cut throat competition such as would be to the detriment of the public convenience The other alternative is to recover for the benefit of the State the money value of the privilege which is involved by the grant of a license in other words to let out to approved persons for a term of years at a time the right to work regulated and co ordinated services under a programmed system The essentials of such a system are (1) that the bus services should act as feeders to and generally not in competition with the State Railways (2) that there should be a set of services co ordinated both with the railways and with other bus systems throughout the State (3) that the system adopted should afford inducements to develop the less as well as the more profitable routes and should ensure regular running even when there is a likelihood of some vehicles running comparatively empty (4) that fares should be fixed at rates which would be reasonable from the point of view of the user of the bus and would at the same time yield a reasonable rate of profit to the proprietor (5) that the service should be under continuous inspection and control by competent Inspectors and (6) that regular depots for petrol and repair shops which could serve private cars as well as buses should be set up at suitable places

The manner in which it is suggested that such a system should be worked is that there should first be an elaborate enquiry into the roads on which the greatest amount of traffic takes place and a selection of groups of routes generally those or some of those radiating from particular centres which would serve as the head quarters of all the services leased together and of the controlling officer The enquiry would involve a fixation among other things of the times of running and number of vehicles required to run on each route When schedules of this nature had been prepared tenders would be invited from the owners of motor buses for the sole privilege of working each group of services for a term of years On examination of the tenders the privileges would not be allotted necessarily to the lowest or any other tenderer but an endeavour would be made so to distribute the business as to give a fair share of it to all respectable owners of a sufficient number of vehicles In making this distribution it is probable that some levelling up of rates would take place For instance a tenderer who submitted a very low tender might, before his

*Mr Venkatesawa dissents from the alternative suggestions about monopoly

tender was rejected altogether be given the option of coming up to the amount tendered by a rival who had already been provided for with another group of services

Colonel Barton added the suggestion that if the services were brought under State control in the manner indicated a further feature of the scheme might be to arrange through the State Life Insurance Department for the sale of tickets which would ensure passengers against injury to life or limb as an alternative to the ordinary tickets and at a slight percentage advance in price

13 Item (3) *Death Duties* —

P 112 Mr Subba Rao observes in his report that succession duties are essential in any system of taxation that claims to be equitable and suggests 'that succession duties in the form recommended by the (Indian Taxation Enquiry) Committee should be levied in Mysore as an appropriate method of taxing those who are at present taxed comparatively lightly

P 108 The Committee having provisionally arrived at the opinion that duties on inheritance are a highly suitable form of taxation the question of the practicability of levying them in Mysore was referred to a Sub Committee consisting of Messrs Garudachar and Venkatesaiya and Rao Bahadur Nanjundiah The Sub Committee found that there were no practical difficulties in the way of levy of such duties in Mysore and the same body with the addition of Mr Subba Rao Col Barton and Mr Linge Gowda was requested to draw up for the consideration of the main Committee a scheme for the levy of such a tax on lines that would be appropriate in Mysore This enlarged Sub Committee was unable unfortunately to meet for the further consideration of the question that had been referred to it In the circumstances the Committee submit to the Government confirming the conclusions already arrived at

that (1) duties on inheritance are a highly suitable form of taxation

(2) there appear to be no practical difficulties in the way of levy of such duties in Mysore but

(3) the actual working out of a scheme for the levy of such duties may be left until their levy becomes a practical issue

14 Item (4) *Tax on Tobacco* —

Mr Subba Rao s proposals under this item are —

P 114 State taxes on tobacco may be introduced as a development of the existing system of licensing the trade in the cities of Mysore and Bangalore The license fee should bear some proportion to the amount of tobacco handled Outside the two cities the right of vend should be auctioned by taluks each buyer being empowered to license retail vendors to whom alone the cultivator should be allowed to sell —

The Committee are of opinion that a tax on tobacco is an eminently suitable form of additional taxation and that a system of taxation may be built up on the basis of the present taxation through Octroi and Municipal licenses further developments being undertaken on the lines indicated in the report of the Indian Taxation Enquiry Committee as control is secured and that if and when a State tax on tobacco is introduced and so supplants a municipal tax the municipality ought to be compensated on the basis of the revenue at the time of its introduction

III Local Finance

15 Under this group head the following propositions of Mr Subba Rao were considered —

P 147 (*a*) The (Indian) Taxation Enquiry Committee have called attention to the fact that the finances of Local Bodies all over the country are inadequate for the services which they have to perform

P 130 (*b*) In municipalities the directions in which additional amounts may be obtained are improvement in the assessment and collection of the profession tax

P 129 (c) There is scope for the improvement of revenue under tax on buildings and lands by revising the valuation and increasing the rates

P 127 8 (d) Octroi duties offend against the rules of sound finance The general impression is that these duties offer much scope for leakage of revenue The substitution of a tax on sales for octroi duties may be considered

P 134 (e) The larger municipalities may improve their resources by levying—

(1) an entertainment tax
(2) a tax on advertisements

P 138 (f) In the case of District Boards, a cess on income tax has been suggested

P 147 (g) A carefully considered system of grants in aid from general revenues is stated to be necessary

P 152 (h) Generally speaking the balance of argument is against the transfer to Village Panchayets of items of provincial revenue It has been suggested that Hubli, Bannı and Amarayı would be found to be exceptions to this rule inasmuch as local collection and appropriation would lead to greater rigour in collection In order to test this a transfer might be made in one taluk in each district and the yield watched for a year or two

In considering the proposals on local taxation the Committee had the benefit of a full discussion at a joint meeting of the Taxation and Octroi Committees on the 11th February 1929 This was based to a considerable extent on a note written for the Octroi Committee by the President which is printed as Appendix I

As a result our final recommendations on this subject are as follows —

(1) As compared with other forms of property house sites whether built upon or not are very inadequately taxed

(2) The Municipal taxes on houses in the State are very low compared with other taxes and compared with rates elsewhere and the method of assessment is capable of much improvement Enquiry should be made into the revision of the valuation of the houses in municipal limits and the possibility of an increase in the rates and the work of valuation should be done by lent officers of the Revenue Department

(3) The professions and trades in Municipalities do not bear their share of the common burden

(4) The Octroi tax offends against all the canons

(5) A terminal tax would be no better and would be inapplicable to Mysore conditions

(6) The five articles *viz* piece goods tobacco jaggery sugar, kerosine oil, sheep and goats to which it was suggested as a result of the earlier discussions of the Octroi Committee that octroi should be limited are all articles that can be taxed otherwise more effectively than through stoppage and assessment at an octroi barrier

(7) The substitutes for octroi suggested by these considerations are (*a*) increased rates of house tax coupled with an improved method of assessing the tax, (*b*) a graduated tax on professions and trades (*c*) a tax on cattle sheep and goats slaughtered (*d*) a license fee for the vend of tobacco which might be levied either at a fixed rate or through auction of the right of vend

The question of a quantitative shop tax upon piece goods jaggery and sugar and kerosine oil was discussed but it was decided that this would only be a half way house between octroi and a properly assessed profession tax and that it would be better to adopt the latter at once provided of course that an efficient machinery for assessing it could be secured

The question of sheep and goats sold at markets within Municipalities was also discussed We consider that the levy of a market fee for such purposes is appropriate but this is a matter quite independent of that of substitution of other taxes for octroi

Mr B K Garudachar and Mr Oosman Khan of the Octroi Committee were doubtful if the income under the new proposals would be adequate to replace the octroi but were quite prepared to accept them on the understanding that they should be tried out first by a special staff under Government direction and that Government should make good any loss that might result to the Municipalities that might be selected for the trial

The Committee are strongly of opinion that it is necessary that the changes herein suggested should be given a fair trial in selected areas by a thoroughly efficient and trained agency working independently of the local body before being commended for general adoption In particular an endeavour should be made to follow the example of the Government of India in securing an improved income tax staff and this staff or an extension of it should be employed in assessing profession tax with reference to the income tax assessment in the case of those who pay income tax and as the result of a house to house visitation and inspection of account books and invoices in the case of smaller traders

The Committee understand that the levy of an entertainment tax in Bangalore City is already under consideration and recommend the consideration of the same question in other large towns

In the opinion of the Committee the levy of a tax on advertisements does not appear likely to be productive

As regards the question of levy of a cess on income tax in rural areas we are of opinion that the best course would be to follow the same plan as has been proposed in the case of the Municipalities provided it is found on enquiry that there is reason to anticipate a yield which would be in proportion to the trouble and expense involved

On the question of assignment of Hulbanni and Amarayi revenue the Committee understand that Government have already passed orders expressing their inability to make over the entire receipts from Hulbanni and Amarayi to the Village Panchayets There is probably no objection to the transfer of these items to the Panchayets in exchange for a fixed payment based on the average realisations in the past

16 To sum up the Committee are of opinion that the principal measures to be taken in order to secure a more even apportionment of the burden of taxation are to increase the rates of income tax and super tax and to provide for direct taxation by local bodies of the professional and trading classes They are also of opinion that house sites are very inadequately taxed both by the State and by Local Bodies, and houses also by the latter They regard the question of the taxation of motor vehicles and the improvement of the roads as a special problem outside the scope of the ordinary measures of taxation and consider the proposals of the Indian Road Development Committee quite inadequate to meet the expenditure required in Mysore They consider that octroi should be finally abolished and taxes of a direct nature substituted In the event of further revenue being required they consider that death duties and a tax on tobacco should be introduced

C G TODHUNTER,
Chairman

P W O BRIEN
N S SUBBA RAO
S VENKATESIAH
B K GARUDACHAR
N S NANJUNDIAH
N RAMA RAO
M S LINGE GOWDA
S P RAJAGOPALACHARI
B ABDUR RAHMON
P A BARTON
K SUBRAMANI AIYAR
B SREENIVASA IYENGAR

APPENDIX A

Details of the attendance of the members on the several dates of meeting of the Committee

Date of the Meeting	Particulars of attendance
21st March 1928	All present except Mr B K Garudachar

APPENDIX B

Proceedings of the Meeting of the Sub Committee appointed by the Mysore Taxation Enquiry Committee to prepare a revised scale of rates of Income tax held on the 7th April 1928 in the Public Offices Bangalore

Present

Mr K Subramani Aiyar B A F S A A (Member)

Mr B Sreenivasa Iyengar B A B L (Secretary and Member)

Mr P W O Brien was absent from Bangalore on the date of the meeting but forwarded a statement of his views later in the form of a note

The subject was discussed

The sub committee submit the following report for the consideration of the Committee —

When the question of levy of income tax for the first time in Mysore was under consideration a distinct promise appears to have been held out by the Government that when the income tax was levied the rates would be lower than those of British India The limit of exemption was fixed at Rs 1 200 in the original Bill as the Government of India minimum was then Rs 1 000 The latter having been raised to Rs 2 000 the minimum taxable limit in Mysore was placed at Rs 2 400 in the Bill placed before the Mysore Legislature

In introducing the Income tax Bill (which was enacted as Regulation No IV of 1920) before the Legislative Council Mr Chakravarthi then Financial Secretary observed as follows —

The minimum taxable limit will be fixed at a fairly high figure so as not to press at all on the poorer classes who are seriously affected by the prevailing high prices Members of this Council are aware that the Government of India have recently raised the minimum taxable limit to Rs 2 000 and the minimum in the case of Mysore will probably be placed at Rs 2 400 which will mean that all persons having an income of less than Rs 200 per mensem will be altogether exempt from income tax I would particularly invite the attention of Members to this fact for with the minimum taxable limit fixed at this high figure most of the objections against income tax ought to cease As regards rates they will vary from 3 pies to 1 anna in the rupee according to the total annual income of the assessee So it will be seen that our rates in the majority of cases will be lower than the rates in British India

The first regulation was in force for three years When it was found that an amendment of the Income Tax Regulation was necessary on the model of Government of India Act of 1922 the Income Tax Commissioner Mr Chandy recommended that the opportunity of

amending the original regulation may be taken for enhancing the rates so as to bring them in line with British Indian rates He observed as follows —

"The rates of income-tax prevailing in British India may in my opinion be adopted in Mysore at least in the case of higher incomes

Government however decided to retain the old schedule practically unaltered

The sub-committe believe that it will generally be conceded that the average taxable income of an assessee in Mysore is comparatively less than that of a person in British India and on this assumption they are of opinion that the comparatively low economic condition of the people of the State will have to be taken into consideration in deciding the question of rates of income tax especially in the case of assessees of moderate means

There is however much to be said in favour of the adoption of the classification in force in British India as suggested in the reference to us

The Indian Taxation Enquiry Committee have after an exhaustive enquiry into the subject suggested the feasibility of enhancement of the intermediate scales in British India In Mysore the intermediate scales are rather few and it seems desirable to adopt a more graduated scale than what exists at present with a view to remove inequality and improve revenue

In view of these considerations the sub committee propose that the British Indian classification may be adopted but with lower rates of tax so adjusted that the hardship resulting from the revision may not be felt by the poorer classes and the enhancement in the rates may be progressive in the case of higher incomes

The Committee have resolved to adopt the British Indian minimum for taxation The sub-committee venture to suggest that the taxable minimum may continue to be Rs 2 400 for some time to come

The following scale is proposed for consideration —

Grades of Income	Present rates	British Indian rates	Increase of 50 per cent proposed by Mr N S Subba Rao	Rates recommended by the sub committee
Rs	Pies	Pies	Pies	
2,000— 2,399		5	4½	
2 400— 4 999	3	5	4½	3 pies (No change)
5 000— 8 999	3	6	4½	4½ (Increase 1½ pies.)
9 000— 9 999	4½	6	7	4½ (Adjusting line)
10 000—19 999	4½	9	7	6 (Increase 1½ pies)
20,000—24 999	4½	12	7	9 (Increase 4½ pies.) (Adjusting line)
25 000—29 999	6	12	9	9 (Increase 3 pies.)
30 000—39 999	6	15	9	12 (Increase 6 pies)
40 000—49 999	9	18	13½	15 (Increase 6 pies)
50,000 and above	12	18	18	18 (Increase 6 pies.)
In the case of every Company Registered Firm etc —				
On all incomes not below Rs 2 000		18	18	
On all incomes not below Rs 2 400	12	18	18	18 (Increase 6 pies)

NOTE —It will be seen from the above that the sub-committee do not recommend any increase in the case of incomes below Rs 5 000 As regards higher incomes they suggest a progressive revision of 1½ pies 3 pies 6 pies making allowances for necessary variation in regard to incomes in some few cases in readjusting the old and new classifications

In regard to the enhancement of the maximum rate of income tax from 12 pies to 18 pies it has to be borne in mind that the State will not derive the full benefit of such revision in the case of assessees who are also taxed in the United Kingdom and are entitled to relief under section 49 of the Income Tax Regulation 1923

However the scale above proposed will yield a substantial increase of revenue and in the event of additional taxation being found necessary the revision suggested may be adopted

(Sd) K SUBRAMANI AIYAR
B SRINIVASA IYENGAR

Opinion of Mr P W O Brien

I would prefer that the taxable minimum be fixed at Rs 2 000 and suggest the following scale for consideration —

Grades of Income—New Scale	Proposed Rates	Present Rates
Rs	Pies	Pies
2 000— 3 999	3	0,3
4 000— 5 999	4	3
6 000— 9 999	5	3 4½
10 000—14 999	6	4½
15 000—24 999	9	4½
25 000—39 999	12	6
40 000—50 000 and above	18	9 12

As regards the scale for Companies Registered Firms, etc I am in agreement with the scale proposed by Mr K S Aiyar and Mr B Sreenivasa Iyengar

(Sd) P W O Brien
11-4 28

APPENDIX C

Proceedings of the meeting of the Enlarged Income-Tax Sub-Committee held on the 8th December 1928 in the Public Offices Bangalore

PRESENT

Mr B Sreenivasa Iyengar
N S Subba Rao
K Subramani Aiyar
Rao Bahadur N S Nanjundiah
Mr O Brien was in England on the date of the meeting

The accompanying note prepared by Mr B Sreenivasa Iyengar was considered After a full discussion of the points contained in it the Sub Committee arrived at the following conclusions —

(1) Following the recommendation of the Indian Taxation Enquiry Committee the limit of super tax in Mysore may be reduced to Rs 30 000 and a lower rate of six pies in the rupee may be levied on incomes exceeding this amount

The limit of exemption from the levy of super tax at one anna may remain at Rs 75 000 in the case of a Hindu undivided family

The present and proposed schedule of super tax will stand as follows in juxta position —

PRESENT		PROPOSED	
Incomes up to Rs 50 000	Nil	Incomes up to Rs 30 000 Excess over Rs 30 000 up to Rs 50 000 in the case of incomes of Companies individuals and un registered firms and up to Rs 75 000 in the case of a Hindu undivided family	Nil Six pies in the rupee
Excess over Rs 50 000 in the case of incomes of Companies individuals and unregistered firms	One anna in the rupee		No change
Excess over Rs 75 000 in the case of a Hindu Undivided Family	One anna in the rupee		No change

(2) As regards the question of levying a cess on income tax in rural areas the sub committee is of the opinion that such a levy is both sound and equitable not only in rural areas but also throughout the State In view however of the resolution of the

Committee to enhance the rates of income tax it is a point for consideration whether simultaneously a cess on income tax should also be levied at this stage The sub committee considers that such a levy could be appropriately made if and when it is decided to abolish the system of interior road toll gates in the State as compensation may have to be paid to Local Bodies for the loss of revenue involved thereby It is hardly likely that the loss would be fully covered by fresh taxation on motor transport

(3) The sub committee does not recommend the imposition of a tax modelled on the *Haisyat* tax which obtains in the Punjab inasmuch as Village Panchayets are already empowered to levy taxes which will fall on the classes of persons whom it is proposed to bring within the range of the suggested tax

(Sd) B SREENIVASA IYENGAR
N S SUBBA RAO
K SUBRAMANI AIYAR
N S NANJUNDIAH

Note by Mr B Srinivasa Iyengar

1 The opinion of the Taxation Enquiry Committee on this subject at the last meeting is contained in the following extract of the *interim* report to Government —

7 *Income tax* – The question of income tax was referred to a sub committee consisting of Mr B Sreenivasa Iyengar Mr P W O Brien and Mr K Subramani Aiyar a copy of whose report is attached as Appendix A For the purposes of certain further enquiries to be made by them Messrs Rao Bahadur N S Nanjundiah and N S Subba Rao were added to their number The following conclusions were recorded on a consideration of the report of the sub-committee —

(*a*) The Committee by a majority are in favour of maintaining the minimum of Rs 2 400 for the time being

(*b*) The Committee recommend the adoption of the scale below —

Rs			Pies
2 400	to	4 999	3
5 000	to	9 999	4½
10 000	to	19 999	6
20 000	to	24 999	7½
25 000	to	29 999	9
30 000	to	39 999	12
40 000	to	49 999	15
50 000	and above		18

Companies and registered firms to pay at the new maxium rates

Mr Garudachar prefers the following scale in the higher grades —

Rs			Pies
20 000	to	24 999	6
25 000	to	29 999	7½
30 000	to	39 999	10½
40 000	to	49 999	12
50 000	and above		18

(*c*) The income tax sub committee has been asked to examine the question of the increase in the super tax rates having in view the increase proposed in the rates of income tax

(*d*) The Committee do not propose that any action be taken at present in the direction of inclusion of income from agricultural sources for the purposes of fixing the rates on non agricultural incomes

12 *Local taxation* —(1) It was resolved that the income tax sub-committee be asked to examine the question of the levy of a cess on income tax in rural areas as well as of a tax on the lines of *Haisyat* tax in the Punjab

2 A rough estimate of additional revenue according to the above proposal of the Committee is about Rs 2½ lakhs

3 Two questions are now referred to the income tax sub committee —

Firstly the desirability of increase in the super-tax rates

Secondly levy of a cess on income tax in rural areas with or without a tax on professions and trades

4 As regards the first point the recommendation of the Indian Taxation Enquiry Committee is as follows —

The limit for super tax should be reduced from Rs 50 000 to Rs 30 000 and a new rate of super tax of 6 pies on the first Rs 20 000 or part thereof in excess of that sum introduced In the case of the Joint Hindu Family the limit of exemption might be reduced to Rs 60 000 the anna rate being applied to the first Rs 40 000 of excess

Mr N S Subba Rao does not specifically refer to this recommendation in his report

The rates of super tax in Mysore and in British India are shown in juxta position in the enclosure to this note

In Mysore a flat rate of 1 anna in the rupee is levied as super tax on Companies individuals and unregistered firms on incomes exceeding Rs 50 000 and in the case of a Joint Hindu Family the limit is raised to Rs 75 000

In British India while the companies are required to pay super tax at a flat rate of 1 anna in the rupee on incomes in excess of Rs 50 000 a in Mysore there is in respect of other assessees a graduated scale according to which the rates rise from 1 anna to 6 annas in the rupee

From a reference to the list of persons assessed to super tax in the year 1927 28 it will be seen that there are only 22 assessees of whom about half a dozen are individual assessees the rest being Companies The total demand for super tax was about Rs 4½ lakhs of which the tax due from individual assessees was less than Rs 5 000 The enhancement of the rates of super tax on the income of Companies is not contemplated And in view of the small number of other assessees subject to super tax the enhancement of the rates by the adoption of a progressive scale as in British India will not yield any appreciable addition to revenue

Having regard to the conditions in Mysore it looks as though the super tax limit of Rs 50 000 is unduly high The suggestions made by the Indian Taxation Enquiry Committee of reducing this limit to Rs 30 000 and of levying a lower rate of 6 pies in the rupee on incomes between Rs 30 000 and Rs 50 000 seem reasonable and may be accepted

Their recommendation to reduce the limit of exemption in the case of Hindu Undivided Family to Rs 75 000 to Rs 60 000 may also be adopted

According to the above proposals the number of assessees liable to super tax will be about 30 and an additional revenue of Rs 25 000 to Rs 30 000 may be expected

5 *Regarding the second question Levy of a cess on income tax in rural areas etc* —

This is a question which requires detailed examination

The Lawrence Committee in Bombay which was set up in 1915 to make recommendations for improving the finances of Local Bodies definitely proposed the levy of a cess on Income tax They said This suggestion meets with a considerable share of support and has our cordial sympathy The importance of securing a contribution to local revenues from the professional commercial and trading classes cannot be gainsaid and their present exemption is felt to be a grievance by the agriculturists in the allotment of this cess to different local authorities very difficult problems arise

The Bill on which the Bombay Local Boards Act of 1923 is based originally included a provision among the taxes imposable by a District Board for a proportionate surcharge on income tax payable under the Income tax Act 1922 but this was dropped as the sanction of the Government of India was necessary and it was considered unlikely that this would be given —*vide* page 120 of Cummings Bombay Local Boards Manual 1925

The Indian Taxation Enquiry Committee seem to refer to this in page 335 of their report where it is said the introduction of the tax on professions and trades in the Bombay Presidency was suggested by a committee appointed by the Bombay Government to enquire into the question of local taxation in 1924 Proposals have been recently made in the same Presidency for the levy of a tax on all non agricultural incomes exceeding Rs 600 per annum for financing a scheme of compulsory education

The proposal to levy a cess on income tax would be of doubtful expediency here especially as it is under contemplation to enhance the rates of tax on income for raising revenue for provincial purposes

6 As regard the tax on profession and trades the position in British India is explained in para 445 of the Indian Taxation Enquiry Committee Report

In Municipal areas taxes on professions and trades may be levied and it is believed that they are actually levied in several Municipalities Mr Subba Rao in page 129 of his report says the figures show that the revenue from this source is very small

While there may be no objection on principle to the levy of a tax on professions and trades in rural areas on the lines of the *Hatsyat* in Punjab administration difficulties may be encountered in the assessment and the calculation of the taxes for want of adequate staff The Panchayets are not under the control of the District Boards It will have to be left to the discretion of each Panchayet to levy a tax of this kind Whether it would be really productive under present conditions is a matter for consideration

In respect of the excess over fifty thousand rupees of total income

Mysore rates of super-tax	Rate	British Indian rates of super tax	Rate
(1) Every company every unregistered firm every individual and every other association of individuals not being a registered firm or company	1 anna in the rupee	(1) In the case of every company	1 anna in the rupee.
(2) Undivided Hindu Families—		(2) (a) in the case of every Hindu Undivided Family —	
(a) in respect of the first twenty-five thousand rupees of the excess	Nil	(i) in respect of the first twenty five thousand rupees of the excess	Nil
		(ii) for every rupee of the next twenty five thousand rupees of the excess	1 anna in the rupee.
(b) in respect of the balance of the excess	1 anna in the rupee	(b) in the case of every individual unregistered firm and other association of individuals not being a registered firm or a company for every rupee of the first fifty thousand rupees of such excess	1 anna in the rupee
		(c) in the case of every individual Hindu Undivided Family unregistered firm and other association of individuals not being a registered firm or a company—	
		(i) for every rupee of the second fifty thousand rupees of such excess	1½ annas in the rupee
		(ii) for every rupee of the next fifty thousand rupees of such excess	2 annas in the rupee
		(iii) for every rupee of the next fifty thousand rupees of the excess	2½ annas in the rupee
		(iv) for every rupee of the next fifty thousand rupees of such excess	3 annas in the rupee
		(v) for every rupee of the next fifty thousand rupees of such excess	3½ annas in the rupee
		(vi) for every rupee of the next fifty thousand rupees of such excess	4 annas in the rupee
		(vii) for every rupee of the next fifty thousand rupees of such excess	4½ annas in the rupee
		(viii) for every rupee of the next fifty thousand rupees of such excess	5 annas in the rupee
		(ix) for every rupee of the next fifty thousand rupees of such excess	5½ annas in the rupee.
		(x) for every rupee of the remainder of the excess	6 annas in the rupee.

APPENDIX D

Report of the Sub Committee in the matter of the levy of Succession Duties

PRESENT

Mr B K Garudachar

Rao Bahadur N b Nanjundaiya

Mr S Venkatesaiya.

We have considered the legal aspect of the question in relation to existing conditions in Mysore as compared with the statements contained in Appendix XII to the Report of the Indian Taxation Enquiry Committee The Indian Succession Act is in force in Mysore

as in British India The Hindu Wills Act and the Bombay Regula ion are not in force in Mysore The probate and Administration Re ulation (VI of 1914) is in force in Mysore This Regulation provides for Probate and Letters of Administration in cases to which the Indian Succession Act does not apply But sections 187 and 190 of the Indian Succession Act are not reproduced herein So that a succession certificate under the Succession Certificate Regulation (VII of 1901) may be taken or Probate or Letters of Administration under Regulation VI of 1914 at the choice of the party Under para 2 of section 4 of the Probate and Administration Re ulation the right of survivorship is distinguished from inheritance and excluded from the operation of the Act

Further under section 1 of the Administrator General s Act the properties of British subjects in Mysore are subject to its operation

The rates of duties are levied under the Court Fees Regulation which prescribes separate rates for a succession certificate and for Probate or Letters of Administration with an exemption limit of R 1 000 in the latter case Further duties in case of Probate or Letters of Administration are levied only on property in Mysore

In other respects the le al position is the same as in British India

A Record of Rights Re ulation applicable to agricultural holdings has been recently enacted The operation of this Regulation is being extended to limited areas by notification

For the rest the lines of least resistance the arguments *pro* and *con* and the inequalities of the law as existing are the same as set out in the Report of the Indian Taxation Committee and Appendix XII thereto The industrial and commercial development of Mysore is on a lower level than in British India

(Sd) S VENKATESAIYA
N S NANJUNDAIYA
B K GARUDACHAR

APPENDIX E

Proceedings of the meeting of the Sub Committee appointed by the Taxation Enquiry Committee to consider the question of the levy of a General Tax on Motor Transport in the shape of a surcharge on petrol held on the 15th November 1928 at 8 a m in the Public Offices Bangalore

PRESENT

Mr N Rama Rao B A B L
C Ran anatha Rao Sahib B A B L
Col P A Barton
Mr K Subramani Aiyar B A F S A A
B Abdul Rahmon B A

The sub committee resolved as follows —

1 In fixin the rate the sub committee are of opinion that regard should be had to two considerations

The duty should not be so high as to act as a drag on the development of motor traffic and it should also not raise the price to the consumer in the State to uch an extent as to offer a temptation to ruggling from outside The sub committee think that the surcharge should in no case exceed the rate of Re 0 4 0 on the gallon which is the excise duty in British India They are of opinion that it is undesirable to levy a surcharge of more than Re 0 2 0 a gallon on the petr l consumed in the State

The sub committee believe that the quantity of petrol consumed in the State may be estimated at 1,100 000* gallons including the Civil and Military Station and at the rate suggested by us the return from the tax would be Rs 1 37 lakh This in the opinion of the sub committee is the most that this levy can be expected to yield and whether it would be worth while having recourse to it depends on the realisations from the existing taxes which it is to di place and the co pensation if any which will have to be paid to local bodies which are at present deriving a revenue fr om them

The sub committee have no he i ation in saying that on its own merits a surcharge on petrol is the most convenient method f taxing motor vehicles and that it has the additional merit of reaching vehicles from outside which ply in Mysore for a term but the pitch has to be fixed with due regard to the considerations set forth above

*Th fig b d th l t t l t ly t f oo mpt

The sub committee think that the best method of collecting the surcharge would be by an arrangement with the importing agents who could instruct their sub agents and vendors to add it on as part of the price at which petrol is sold to the consumers

The surcharge system depends for its success on the co operation of the Civil and Military Station and a working arrangement will have to be arrived at with the authorities there

APPENDIX F

Letter from MR B K GARUDACHAR agreeing to the REPORT with the following qualifying NOTE

In acknowledging the receipt of the draft report of Taxation Committee I affix my signature for the report with the following note —

(1) Under head Land Revenue our observation in para 7 is made about the special classes of lands which are likely to become valuable in course of time are to be leased for a limited number of years I consider the value o such land is increased by the exertion and investment made by the holder of the land If the time limit for the ownership for the land is fixed the interest of the owner in the land in the latter part of his term will be lessened and the land loses its value Hence I am of opinion the ownership of the land is to be for perpetuity

(2) Although I agree on the general principle of the Report as to the possible ways and means of Taxation to augment the Revenues of the State I am strongly of opinion the country as it is cannot bear any increase of taxation If at all the suggestion of this Report can be considered after the lapse of five years from this date in the least

B K GARUDACHAR
27 2 1929

APPENDIX G

Extract from the Report of the Indian Txation Enquiry Committee

138 The principles of general application for the future which may be deduced from these criticisms of the varying systems in force may perhaps be summed up as follows —

(1) It seems to be clear especially in view of recent developments of the land revenue systems that wherever possible the charge for wate should be separated from the charge for the land

(2) The minimum charge except in the case of protective works or where a special concession is given to a particular area or class of cultivators should be the cost of supplying the water that is to say the cost of maintenance of the irrigation work *plus* interest on capital cost

(3) The maximum should be a figure so fixed as to take for the Government the whole of the increase in the return from the land except such portion as will be just sufficient to induce the cultivator to take the water

(4) The normal should be a moderate share of the value of the water to the cultivator

(5) This value will vary with prices with the demand for the water with the reliability of the source of supply and with the quality of water in so far as for instance it carries silt but should not bear any relation to the cost of the supply once the figure of the cost is covered

(6) The rate should be fixed per acre or other unit of area and should take account of the value as so determined and of the quantity used a estimated with reference to a schedule of proportional requirements of different crops in the locality

(7) The rates should be as few as possible and they should be examined with a view to increase or decrease periodically not less than once in ten years

(8) Where the demand is not constant and the raiyats agree to pay for water whether they require it or not a reduced payment for a term of years may be accepted

(9) Where a guarantee of supply is newly given it i legitimate to take a reasonable share of the addition made to the capital or annual value of the land by such guarantee This should be a charge on the owner and over and above the charge on the occupier for the use of the water In the case of a controlled rent there should be provision for recovery from the tenant as under the Agra Tenancy Act

(10) The rates under protective works should be examined periodically with the rest unless there are special reasons for subsidising the cultivators under these works at the expense of the general tax payer

APPENDIX H

Extract from the Report of the Indian Road Development Committee

(2) Burd n large towns

69 It has also been objected that a great part of a duty on motor spirit will be paid by motor transport in large towns and that the receipts will be spent on extra municipal roads from which the towns derive no direct benefit Objections of this nature are perhaps an inevitable incident of *ad hoc* taxation and may be a reason why such taxation should be avoided But in this case it is not difficult to show that the complaint is over stated It may be assumed that part of the proceeds of the duty will be spent on main roads leading into large towns and on the improvements of their approaches generally It should be obvious that the improvement of communications between a town and the surrounding country would not only benefit the country but also bring reciprocal advantages to the town It would be as easy to maintain that local bodies in the vicinity of a large town are required to incur heavy expenditure on roads for the benefit to motor traffic from the town which they are unable to tax It has been stated in evidence before us that the advantages resulting from this improvement of communications may not be fully shared by cities like Bombay We are convinced however that such cases are not incapable of being adjusted by some suitable arrangements with the local Governments

APENDIX I

Note written by the President for the Octroi Committee

I trust that the Members of the Octroi Committee will excuse my troubling them even at this late stage of their enquiry with a note on certain aspects of it which is designed to suggest the possibility of the collection of certain statistics other than those already called for with it is hoped advantage to the final result

I should like to begin with some general considerations Municipal taxation is more than any other form of taxation a payment for services rendered The Municipality provides or ought to provide road lighting water drainage etc and levies taxes which at the best are only just sufficient to pay the cost of these services It follows that the people who pay these taxes should be the people who benefit by the services and not-others and that the more directly the taxes can be made to approximate to a direct payment for the services the better subject always to the canon of ability

Sir Josiah Stamp (than whom there is no higher authority) has stated that octroi has nearly all the vices Its first cousin the terminal tax has theoretically more but practically less All the world agrees as to the very objectionable nature of this form of taxation and Mysore is no exception if the resolutions in the Legislative Council and at the meeting of the merchants are to be taken as evidence The question then arises how is it that in spite of these objections to it octroi taxation still survives

The causes may be grouped under three heads —

(1) Octroi is comparatively little unpopular because the taxation is concealed

(2) The burden of the tax can be shifted

(3) Octroi survives not by merits of its own but because of the objections taken to every alternative that has been suggested

The first of these is the only real merit There is no doubt that it is human nature to pay much more willingly when one does not know what one is paying For instance if the raiyat were not instructed in the matter he would be much less likely to object to two rupees a year taken out of him in the shape of salt tax than to one rupee taken in the shape of a poll tax In the case of the terminal tax this process goes still further The tax is collected by the railways together with the freight and the odium of it passes away from the people who actually impose it altogether and lies on the broad shoulders of the railway administration

It is no merit of the octroi that the burden is often shifted but if the taxation is left in the hands of a municipal authority this fact is undoubtedly apt wittingly or unwittingly to have much weight The burden is shifted from the townspeople who ought to pay for the services to the raiyats who bring in goods from outside It is shifted from the richer citizen who ought to pay more in proportion to the poorer ones since the articles taxed are generally the necessaries of life of the poorest classes of the population

Finally it is to be feared that in respect of the alternatives consciously or unconsciously similar considerations come into play Supposing that direct taxation is imposed upon houses and levied through the land lord the land lord might have difficulty in recovering the whole of it from the tenant In any case he would have to raise his rent Now the Indian Taxation Enquiry Committee had evidence before them from practically every Province to the

effect that the objection to the imposition of direct taxation arose mainly from land lords on the municipal bodies It is observed from the proceedings of the Octroi Committee that the objection to the alternatives which was apparently held to prevail without any scrutiny of figures was put forward on behalf of those representing municipal interests I venture to think that the Octroi Committee in the interests of the tax payers of the whole State should give the alternative of direct taxation further consideration

Before dealing with this point I should like to note some tendencies in regard to octroi taxation in British India One of these is for octro to tend to become a tax on sales This is arrived at in this way The merchants of a town tired of the trouble and annoyance of having all their goods overhauled offer to the municipality at the close of a year in which they have paid octroi to compound with them to pay the same amounts in the ensuing year At the same time in the course of that year they tender all their invoices to the municipality thus enabling them to make up an account of what the merchant would have paid had the octroi been levied on the actual imports of the year This enables the municipality to compound with them for the ensuing year on the basis of the invoices and so on so that in effect the octroi is converted into an actual tax on sales levied one year in arrears This tax again has a tendency to be converted into a profession tax The process of working out actual transactions on invoices is only less cumbrous than that of levy of octroi and it is only a step from the levy of tax on transactions year by year to the grouping of traders into series of groups preferably with reference to their income tax results and the levy of a round sum fixed on past experience from each of the members of each group

These tendencies are evidently at work in Mysore also Thus for instance in the proceedings of the Octroi Committee of the 17th December 1927 it is proposed to make a list of articles such as tobacco and petrol in the case of which it is more convenient to tax the shops than to tax the imports and it is also found that in municipalities generally a shop tax is preferred to the profession tax

It seems desirable to make some further remarks on the proceedings above referred to While it is recommended that the octroi should be abolished in the case of these larger luxuries it is also proposed that it should be abolished in the case of necessaries of life and of small luxuries of the poor From the statement put up showing the estimates of the terminal tax to be collected at different places it would appear that the articles that would remain are the raw materials of industry such as raw cotton hides and skins oil seeds and spices and a few articles of trade such as piece goods bamboos glassware and paper and stationery The question then arises whether the end to be attained cannot be secured in some much simpler way A reference to the evidence before the Indian Taxation Enquiry Committee of Mr Sim who had an intimate knowledge of the terminal tax in Cawnpore and was one of the ablest exponents of Railway Policy India has ever seen will show how very delicate a matter is the adjustment of a goods schedule and how very easily a small increase may divert trade The effect of the proposals in respect of terminal tax of the 17th December would apparently be to impose a differential goods tariff on the raw materials despatched to the growing manufacturing centres in the Mysore State Is it not possible that this might have the effect of checking these developments ? Take for instance the case of Davangere which imports and deals with a large quantity of raw cotton Supposing the addition of the terminal tax raised the railway freight to Davangere in such a way as to make it cheaper to send the cotton to some competing centre in the Bombay Presidency is it not possible that the effect of imposition of the tax would be the ruin of a very promising trade centre ?

Considerations like these have led the municipalities in Bombay which also deal in cotton to convert their octroi or terminal tax into a direct tax on the number of bales of cotton turned out from the ginning mills This seems to be a perfectly proper system of taxation The establishment of the mills in the town causes the influx of a large floating population and much damage to the roads in other words more expenditure on the services afforded by the town and this is appropriately recouped by a direct tax on the trade which makes the provision of these additional services necessary A direct tax is much more willingly paid than would be a terminal tax which might divert the whole of the traffic somewhere else Similar considerations apply to the case of tanneries and somewhat similar ones to the case of the big piece goods and other bazaars

It has been seen then that the octroi tends to be converted into a tax on sales and the tax on sales into a profession tax and that the exemption of necessaries and small luxuries for the poor from the tax altogether and the substitution of a shop tax in the case of tobacco petrol and other important articles of trade will leave very little of revenue yielding capacity to be taxed by the octroi staff while in the case of a terminal tax on the raw materials of industry it is evident that a direct tax on the industry itself is preferable If these conclusions are accepted it appears to be inevitable that if the municipalities are to carry on at all there must be some further examination of the possibilities of their doing so with the aid of direct taxation In regard to this the proceedings of the Committee so far recorded

show nothing further than an assumption that the effect of abolishing the octroi tax would be to double or treble the house tax What I venture to suggest is that an expert enquiry be made in two or three typical municipalities for the purpose of determining exactly what rates of direct taxation would be necessary if the octroi were to be abolished

I should like to make one or two brief remarks on the subject of this enquiry In the first place I would invite attention to the fact that while agricultural land bears the chief burden of taxation in the State land cropped with houses bears less burden than any other form of property and therefore is a very suitable subject for taxation In the second place a house tax except in the case of the very poor who can be exempted is the most appropriate way of adjusting taxation to the circumstances of the individual In the third place an increase even if it were of a hundred per cent would still leave the house tax very low in comparison with most other countries and in the fourth place there are many towns in which a large increase could be made in the yield by means of a proper valuation without any increase in the rate at all What I should like therefore to see is a careful valuation by independent Revenue Officers delegated for the purpose of two or three of the towns in which there has been the longest interval since the last revision The expense involved in such a valuation would not be thrown away since no doubt the municipal authorities concerned would be ready subsequently to revise their valuations in the light of it

In the next place I should like to see the question of the tax on professions or circumstances or shops or factories examined on a comprehensive basis Whatever the name given I would bring all these under a single tax As has already been suggested under the head of a terminal tax a large manufacturing concern might perhaps pay with reference to output The members of the professions and the larger shop keepers could best pay on the basis of the income tax returns For the small shop keepers there would be a shop tax which would be an extension of the profession tax to the smaller classes of traders If it is suggested that this would be difficult to assess and collect I would point out that a tax of the kind is already being assessed and collected throughout Eastern India and that for many years the income tax was levied over the whole of British India on incomes down to Rs 500 per annum

If an estimate of this nature could be made for two or three typical municipalities I believe it would be found that at least the amount of money now realised could be realised without any such alarming increase in the rates as has been anticipated with a considerable decrease in the cost of collection and a more considerable decrease in the indirect cost to the people who now pay with their taxes the recognised mamuls to the octroi staff

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